European Dialogue

THE MAGAZINE FOR EUROPEAN INTEGRATION

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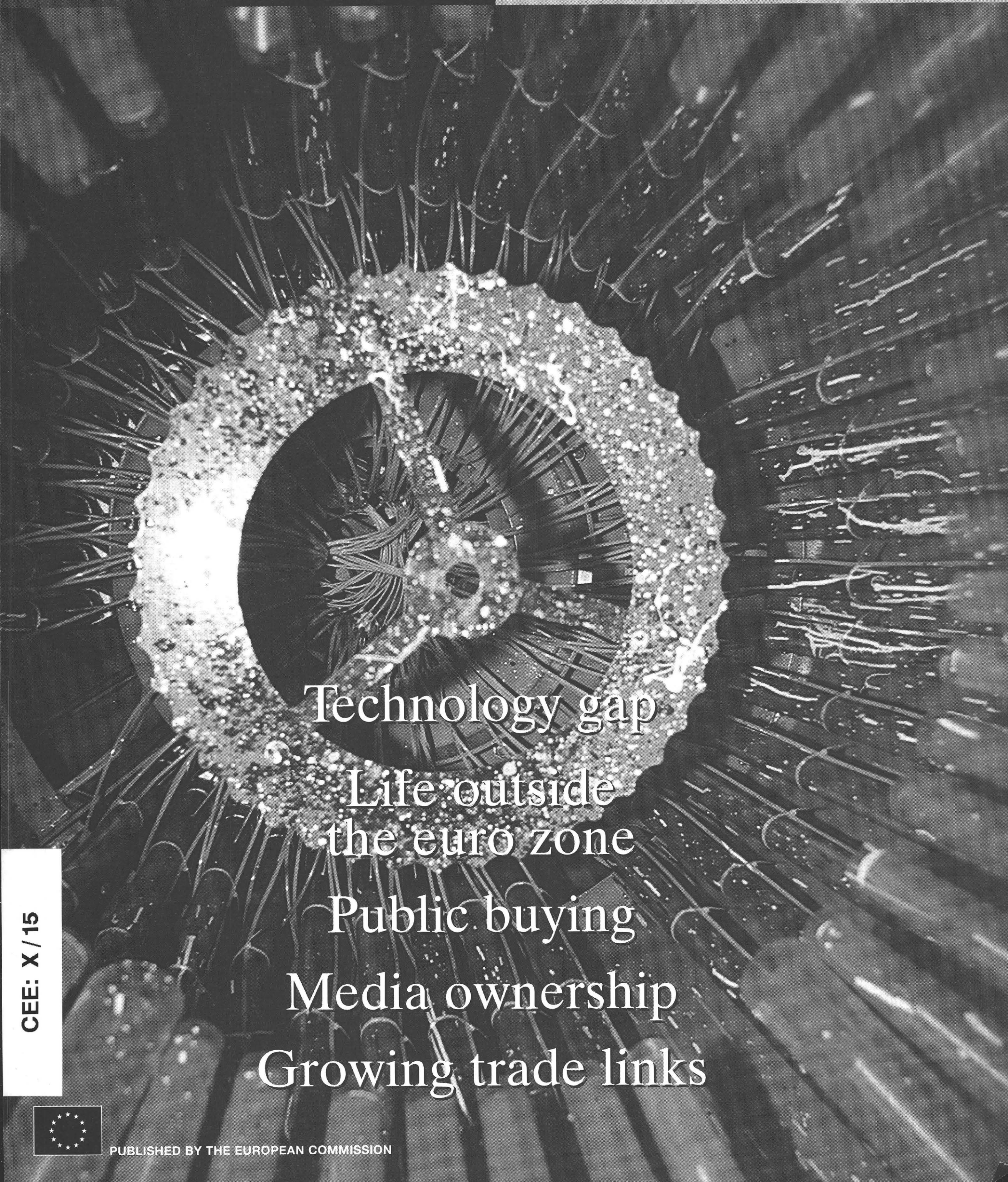

Technology gap

Life outside the euro zone

Public buying

Media ownership

Growing trade links

PUBLISHED BY THE EUROPEAN COMMISSION

Video-film highlighting 40 Years of the EUROPEAN INVESTMENT BANK

This short video tells in an informative and entertaining manner the story of 40 years activity of the European Investment Bank, the European Union's project financing arm.

The film is available in English, French, German, Italian, Spanish and Portuguese.

The video is generated to the general public, TV stations, Chambers of Commerce and Industry, EU-institutions and missions abroad, European organisations, professional associations, universities and schools will find it particularly helpful for "explaining the EIB" which holds the unique distinction of being both an institution of the European Union and a bank.

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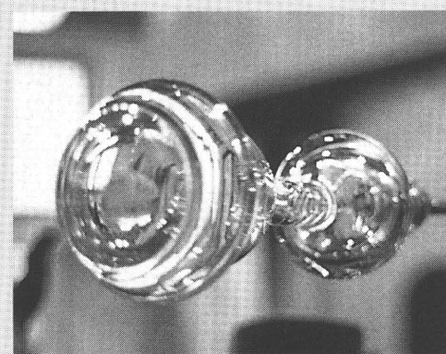
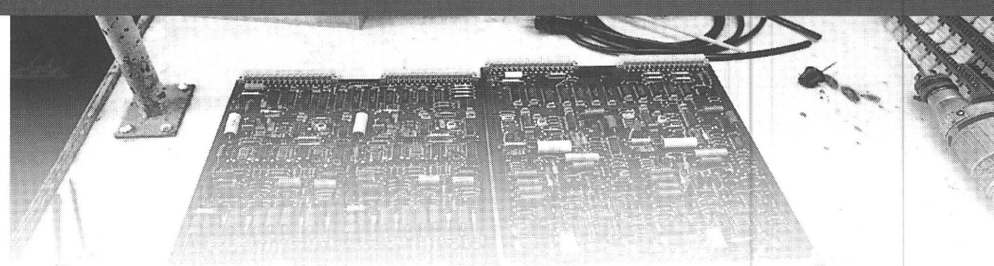


Strategic report pin points technological deficiencies

Most concern focuses on the economic gaps between the candidate countries and existing member states. Now the Commission has a report which highlights the technology gap. Work can now begin on closing that gap.



Promising, but must try harder, could summarise the findings and recommendations of an independent report prepared for the Commission on the state of scientific and technological research in the candidate countries*.

The report, which was discussed at length and drawn up with the participation of all the countries involved, is remarkably frank in identifying current shortcomings in research policies and practices in the applicant states and in suggesting solutions.

The technology gap as defined by the Commission is similar to the economic gap that exists between member states and the candidates. The technology gap is the difference between the scientific and research effort in the candidate countries as compared with the EU measured by how much money is spent, production and final results. Within the EU, technology gap reports have been done only for the poorest EU member states — Greece, Spain, Portugal and Ireland, known as the cohesion countries.

While the report takes great care to stress that it is up to the candidate countries to decide what to do to bridge the technology gap with the EU, its authors are unambiguous about what they believe are the most appropriate strategies to follow and actions to take. With these in mind, the report calls on the Commission to provide financial support and expertise to ease the pain of adjustment.

Sue Cunningham/SCP

As part of a research strategic policy, the Commission began studying the technology gap inside the EU a decade ago. It was a natural extension to make a similar examination of the state of research in the applicant countries. "We knew very little about the extent of the gap, so it was exploratory to start with," says Hugh Logue, head of sector co-ordination and structural policies in the science, research and development directorate-general (DGXII).

The result is a thorough description of current shortcomings in the candidate countries and clear suggestions on how to overcome evident weaknesses.

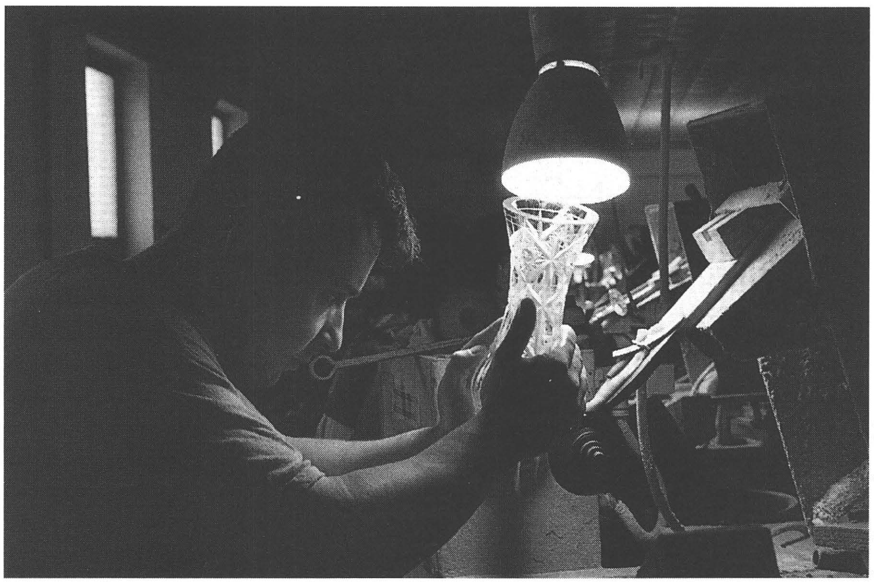
The report stresses that progress in these areas is crucial both for the future economic development and prosperity of the countries themselves and for their overall convergence with the EU.

While the exact relationship between scientific research and economic growth is not spelt out — the report only briefly refers to the issue — previous studies have suggested that there are strong links between the two. A new Commission communication, reinforcing cohesion and competitiveness through research, technological development and innovation (COM(98)275), deals more comprehensively with the exact relationship between research and growth.

A recent Commission study on cohesion and the information society**, for example, noted "the interdependence of economic and social cohesion and the development of the information society in Europe" and that "the introduction of the information society was a pivotal factor for regional development". The information society had "significant and inescapable effects on employment opportunities, lifestyles and the regional organisation and spread of economic activity," it concluded.

For the candidate countries the economic transition has brought its own unique problems for scientific research. As the technology gap report notes, the environment for research and development in the candidate countries has

changed dramatically in recent years.
Funds available for research, whether private or public, decreased markedly, the competition for financing rose strongly, demand for public research sharply declined as a result of economic difficulties, and the top priorities for many governments in the region have been economic and social rather than scientific. Research resources and efforts are having to adapt to this new environment.



Sue Cunningham/SCP

"We found that there's a hierarchy of countries. Some have retained their science capabilities, while for others this has been less important. Individual ministers can have a very strong influence, and resources are very widely spread," says Mr Logue. "One of the difficulties in these countries is that the ministries of science and technology are relatively weak compared to the finance and economy ministries."

Most countries in the region recognise these problems and many are stepping up their efforts and intend to increase research funding, though financing, as the report makes clear, is only one aspect of the problem. Improving the effectiveness and efficiency of research are equally important issues.

The report identifies four preconditions that need to be fulfilled to ensure that funds invested in research are well spent:

- A clear demand-side oriented research policy must be developed and implemented.To ensure that research supports economic development, it must be clearly linked to industrial needs and policy. Currently, there is a lack of an overall perspective for research policies in the candidate countries and often the responsibility for research policies is spread across several ministries. A better co-ordination of research efforts and resources is required."Major bottlenecks such as inter-institutional restructuring, the co-operation between higher education and research institutes and the imbalance between basic and applied research are insufficiently addressed," the report says.
- Governments should develop restructuring plans for their research systems, setting financial deadlines and making the necessary finance available for implementing them.
- A monitoring system should be developed to enable governments to assess the effects of investments in research. Additionally, an evaluation system should be established to assess regularly the effectiveness and efficiency of research policies and instruments so that they can be updated when necessary.
- International research partnerships should be encouraged and established to help countries absorb international technological developments. This would offer participants on all sides opportunities to learn from each other and help convergence of research systems between the candidate countries and the EU.

The report also notes that the impact of the transition to market economies has been more severe on applied research than on science generally. With the exception of Romania and the Czech Republic, applied research has declined significantly in all the candidate countries, partly as a result of the collapse of industrial research.

Research, the report argues, needs to be re-focused. Currently, the bulk of activity is dedicated to basic research, and better input from industry is required to redress the balance in favour of applied research. Industry, it says, should be more directly involved in setting the research agenda.

This point is readily admitted by candidate countries officials. One Polish scientist says, "Science in Poland is too theoretical. It's not practical. This the Achilles's heel of Polish science."

One of the difficulties in these countries is that the ministries of science and technology are relatively weak compared to the finance and economy ministries.

Changing old habits is made more difficult because of the problems faced by many domestic industries. Economic and industrial restructuring, a shortage of finance, low levels of profitability and inadequate managerial skills have taken their toll, leading to a collapse of industrial demand for public research. To remedy this situation, the report suggests that the whole system of public and government-financed research should be restructured.

The scale of the task is daunting. Recent studies in the candidate countries by the Danish and Norwegian research councils underlined the lack of efficiency of local research institutes, the failure of institutions to co-ordinate their activities — resulting in duplicated research — and the unclear roles and task of existing research institutions. There was often a discrepancy between stated goals and practice: while government policy may favour applied research, in many candidate countries basic research continues take the bulk of available budgets.

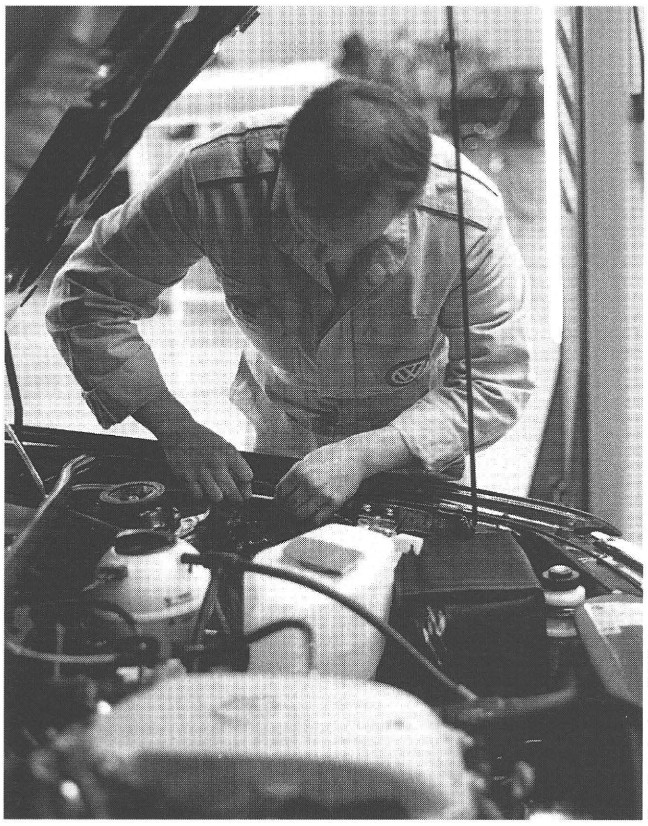
In the wake of these studies, governments began to reform their research systems, in some cases with the help of the EU's Phare programme. Estonia, Hungary, Lithuania, Latvia, Romania, Slovakia and Slovenia have all taken steps towards reform. The report stresses that much more needs to be done.

"Most of the actions initiated are only the start of the required restructuring and much still needs to be done. None of the candidate countries has established a well defined structure of public research institutions and most lack a well structured research, technology and development in general," the report says.

The absence of adequate co-ordination and co-operation between institutions in general and with industry in particular is generally identified by the report as one of the major handicaps facing research in the candidate countries.

"In most countries, the main bottleneck is the lack of co-operation between the state financed research institutes and the higher education institutes and of a proper linkage with the needs of the business sector. None of the candidate countries supports the establishment of bridging institutes."

There are some hopeful signs. The report stresses the strong human potential and the candidate countries good educational systems, though drastic cutbacks in expenditure have also had a negative impact in this area. There has been an external brain drain with qualified people leaving the economy and an internal brain drain with qualified people moving to jobs where their skills are not used.



Sue Cunningham/SCP

The external brain drain is seen as a relatively minor problem with the exception of Bulgaria and Slovakia where it has been severe. The internal brain drain is a more serious concern in the candidate countries. Low salaries for researchers compared to other jobs and too few students choosing to study science — about half the level in the EU — are major factors.

Paradoxically, Mr Logue says there are more scientists than necessary in the candidate countries, but there is an urgent need for new blood and fresh ideas.

On the plus side, interest in engineering and technical studies remains high — the proportion of students in these fields is roughly equal to that in the EU — and this may have the beneficial effect in the long run of encouraging a shift from basic to applied research, the report says.

In all the candidate countries, the inflow of young scientists and engineers into university study is not balanced by the outflow of researchers.

To encourage young scientists and engineers into public research, the report suggests raising salaries and giving researchers greater responsibilities for their work, creating better career opportunities, and promoting the participation of researchers in international conferences.

In view of the fierce competition for scarce financial resources, an approach geared to meet the needs of industry and more effective marketing of research activities have become much more important. Because research has the most impact on economic development when it is tuned to the needs of industry, research management capabilities should urgently be upgraded towards the needs of a market-oriented economy, the report says. "We see management capabilities as a crucial element," says Mr Logue.

The need to develop industry-friendly research policies is recognised by most candidate country governments and most have adopted policies supporting industrial research. Among these, the Czech Republic, Slovakia and Hungary provide a range of financial instruments to stimulate in-house research and innovation, and new industrial policies are emerging in Poland, Romania and Slovenia.

Nevertheless, industrial research remains in the doldrums, partly because of the difficult financial climate under which enterprises operate, including a lack of credit facilities. In the circumstances, the report says, "present policies are necessary but insufficient to turn the tide".

Small and medium size enterprises (SMEs) provide a potential way out of this dilemma.

The candidate countries agree that the development of innovative SMEs ought to drive efforts to improve industrial research and technology and that this should be a key priority. Several initiatives have already been launched in Hungary, the Czech Republic, Slovenia and Poland to support innovation in SMEs, though here again, the report says, much more needs to be done.

The report notes several other areas needing government action. Research activity is over-centralised and there is a lack of attention to regional development. With the exception of the Slovenian Evaluation Institute, monitoring and evaluating research activity in the candidate countries is badly organised compared to EU countries and it needs strengthening.

While a precondition for research activity is adequate funding, both private and public, risk capital for research is scarce in most of the candidate countries. Current spending on research calculated in terms of gross domestic expenditure on research and development as a proportion of GDP varies from 0.5 per cent to 1.5 per cent, well below average spending in the EU — and it is declining.

The EU can and should help in several different ways, the report says. It could assist the candidate countries in developing policies to restructure their research systems, and provide motivation for reform by setting preconditions for access to support — technical and financial — with financial contributions made available through the Phare programme.

The EU could also help by setting up internationally oriented best practice programmes providing the accession states with examples, and linkage programmes, through which know-how would be transferred. Best practice programmes could be focused on involving industry in setting the research agenda, the development of centres of excellence, and technology transfer.

The EU could also provide best practice examples and experiences from the EU and it could provide expertise on developing monitoring and evaluating systems. Lastly, it should support the candidates' participation in the fifth framework for research, technological development and demonstration activities (1998-2002).

In the past, the cost of submitting proposals under the EU's framework programmes has been relatively high, making it more difficult for smaller companies to apply for support, but officials say SMEs will benefit from new measures specifically designed to help them.

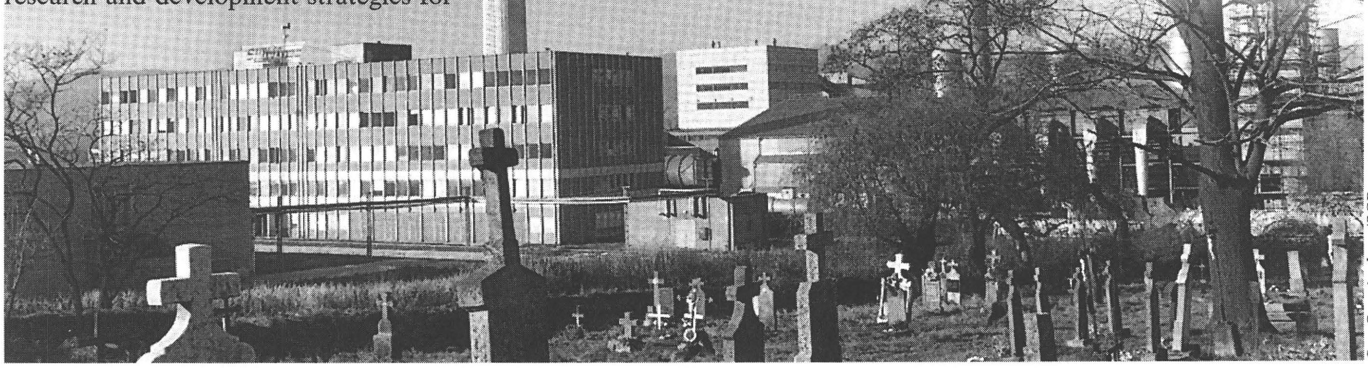
Officials warn that while the candidate countries will be able to participate in the framework programme, they will face a steep learning curve.

The EU is ready to help. The forthcoming Commission communication will encourage candidate countries to prepare research and development strategies for consideration within the pre-accession framework. This can be done through the Phare programme or using structural funds. "We hope it will encourage investment in the accession states. But it's up to them to decide what investment they want to make," concludes Mr Logue. ■

Reports by Patrick Blum, Brussels

* *Impact of the enlargement of the European Union towards the associated central and east European countries on research, technology and development — Innovation and Structural Policies. This report was jointly prepared for the Commission's science, research and development directorate-general (DGXII) by Coopers and Lybrand, the Circa Group and C'EST).*

** *Cohesion and the Information Society. Commission Communication, January 1997 (COM(97)7 final, January 22 1997).*



Sue Cunningham/SCP

Technology gap

Experiences give pointer to future

Since the EU first started to study the technology gap within the Union a decade ago, structural funds dedicated to research and development activities have increased substantially, rising from Ecu 147m for the period 1978-88 to over Ecu 11bn for 1989-99, of which about Ecu 7bn was allocated in the period 1995-99. New programmes favouring regional innovation and technology transfer strategies and infrastructures (RITTS) and regional innovation strategies (RIS) were also put into place in 1995.

But in spite of these efforts, progress has been slow and the technology gap between the richer member states and the poorer members — Greece, Ireland, Portugal and Spain (known as the cohesion countries) — has not been substantially closed and remains more than twice as large as the economic gap.

According to the EU's first report on economic and social cohesion (1996), the Union's most dynamic and successful laboratories and enterprises were located in the heart of Europe in "islands of innovation" which hosted about 80 per cent of the laboratories involved in international co-operation in research. The cohesion countries are still fighting for a place in the sun.

In 10 years the expenditure on research, technology and development (RTD) as a percentage of GDP rose from 0.4 per cent to 0.63 per cent in Portugal, from 0.34 per cent to 0.6 per cent in Greece, 0.8 per cent to 1.24 per cent in Ireland, and from 0.48 per cent to 0.93 per cent in Spain.

The four states' participation in research, technology and development framework programmes, also showed some progress. While the relative position of member states in terms of expenditure on the second and third framework programmes has not changed, the share of the cohesion countries rose from one framework programme to the next.

However, small companies find it hard to benefit from the programmes, and while the programmes have brought about closer co-operation between partners from the north and south of Europe, the report warns there is a risk that this closeness will diminish the research's relevance to the specific economic and industrial needs of the least favoured regions.

In its 1996 report on the structural funds, the Commission noted that the disparities were still "very great in terms of gross expenditure as percentage of GDP, private sector involvement, and the number of scientists and engineers employed."

Sources of funding for innovation were harder to find in the cohesion countries, and they showed a significant trade deficit in technology. Research and innovation in the four cohesion states was highly concentrated in only a few regions, usually in and around the capital. The regions in these countries were also much slower at adapting to the information society, the report noted.

"It would appear that the regional capacity to innovate and adopt new technologies depends not only on regional supply (research and development capacity and mechanisms to spread the technology), but also, and to an increasing extent, on demand, or more precisely on the receptiveness of the economic structure (in particular of small and medium size enterprises) which is often insufficient because it is unable to identify and express its needs," the report says.

The least-favoured regions generally also find it more difficult to participate in the EU's framework programmes on research and development, and the links between research and industry remain weak.

According to the Commission's second European report on science and technology indicators, one of the major problems was not the generation of new scientific knowledge, but translating this scientific output into commercially viable products. This was partly reflected in the per capita expenditure on research and development which originated in enterprises. In the cohesion countries this was less than 20 per cent of the total compared to 59.5 per cent in France or 73.6 per cent in Belgium. New indicators focusing on patents indicate that the gap is probably even wider than initially thought, the report said. ■

Sue Cunningham/SCP

EU offers co-operation to candidates

EU research and development programmes have been opened with some financial support to candidate countries participation within the framework of the pre-accession strategy, and there are several avenues open for co-operation between the EU and the candidate countries.

As the recently published technological gap report found, international co-operation is still weak. Although most of the candidate countries have a keen interest in participating in international research projects, the majority of researchers are insufficiently prepared for the task of setting up and implementing such projects. The cost of submitting proposals under the EU's framework programmes is relatively high, making it more difficult for small companies to apply for support, though they will benefit from new measures specifically designed to help them in the fifth framework programme covering the period 1998-2002. Associated countries can also receive financial support for projects under the Phare programme.

The Copernicus programme, established under the fourth framework programme has been one of the most prominent vehicles of support for research in the candidate countries, and local officials hope that a similar programme will be available under the fifth framework programme.With a budget of Ecu 130m, Copernicus offered partial funding for joint research projects or concerted action in several fields including environmental protection, health, non-nuclear energy, information, communications and industrial technologies, food and the social sciences. COST, a programme aimed at Estonia, Hungary, Poland, the Czech Republic, Slovakia, Slovenia and Croatia allows these countries to participate in all research, technology and development co-ordinated and concerted actions launched in a wide variety of scientific and technical research fields. Hungary, Poland, the Czech Republic, Romania and Slovenia are also members of Eureka.

Officials say the EU will only finance research projects that have a transnational consortium with a minimum of two consortia members from different member states. They argue this is a benefit, rather than a drawback, as it encourages cross-border collaboration.

One of the main criticisms of EU programmes in the past has been that they were too rigid, making it difficult to respond to immediate issues. But a new "free spaces" programme will now keeps money aside so that it can be channelled to deal with unforeseen developments. ■

Sue Cunningham/SCP

The scale of the task is daunting. Recent studies in the candidate countries underlined the lack of efficiency of local research institutes, the failure of institutions to co-ordinate their activities — resulting in duplicated research — and the unclear roles and task of existing research institutions.

Euro's impact on non-member countries will be significant

Although the candidate countries are unlikely to be members of the euro when they first join the EU, the introduction of the single currency and the economic and monetary criteria and regulations surrounding its introduction will have a profound impact on them prior to and after membership.

In a little over three months the euro will become a currency in its own right and will enjoy its own exchange rate against other currencies around the world. The historic step will obviously be most deeply experienced in the 11 EU countries which will be the founding members of monetary union when on January 1 1999 they adopt the euro.

This is the most significant move towards European integration in the past 40 years. It will have an impact on the four EU member states which are not in the first euro wave and on countries now preparing for Union membership. Almost 200 nations around the world which trade and do business with the EU will also feel the impact of the euro.

It will be impossible to be immune to the new euro zone. Those closest to it, both politically and economically, will have to adapt to its reality. It is more than likely that the impact of the euro on countries such as the candidates, which have close economic and trade links with the EU, will be generally positive for two reasons. First, as the euro becomes more widely used as the medium for payments, exporters and importers will benefit from a reduction in foreign exchange transaction costs. There is no doubt, given the commitment to enlarge the EU, that the Union will become the candidate countries' main business partner (see statistics, page 26). The euro will be increasingly used in invoicing and in settling commercial and financial transactions.

Second, the euro and the financially stable area which it will represent, will provide a point of reference for those who wish to link themselves to the new single currency. As a result a number of candidate countries are likely to tie their own currencies to the euro so as to minimise transaction costs and avoid the variability of prices and portfolio yields in national currencies. While these practical trends are likely to emerge soon after the euro becomes legal tender, the new currency will have no direct impact on EU membership negotiations. A new member will not have to join the euro zone when it joins the Union. For formal and substantive reasons the two processes are separate.

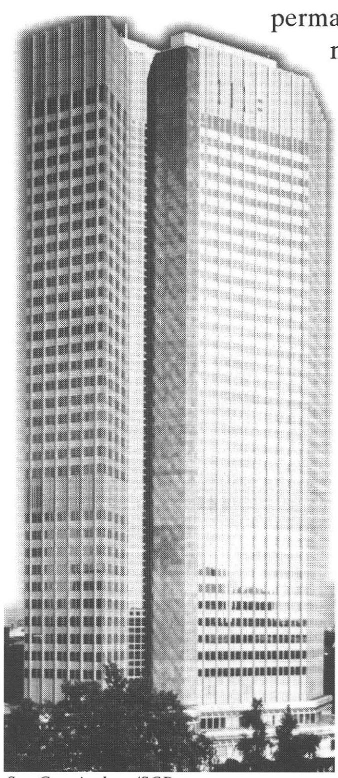
It will be impossible to be immune to the new euro zone. Those closest to it, both politically and economically, will have to adapt to its reality.

EU membership negotiations have a life and structure of their own. So too does membership of the single currency. To be eligible to participate in the euro, a country must meet the various economic convergence criteria set out in the Maastricht Treaty on a durable, permanent basis. This requires the existence of solid market structures which enable a country to adopt the twin basic conditions of monetary union — price stability and a sound fiscal position — in a context of centralised monetary and exchange rate policy and a stability-oriented taxation programme.

At the moment it is difficult, and premature, to evaluate the performance of the candidates against these carefully chosen criteria. Their fiscal position and long-term interest rates are currently not comparable to the definitions adopted by the Maastricht Treaty.

This is not to say that the convergence criteria have no importance for the applicant countries. In due time these will become the test by which they will be judged for membership of the single currency and as such should be seen as medium-term points of reference for stability-oriented macroeconomic policies.

As a result it is likely that when they join the EU, the applicants will be full members, but



Sue Cunningham/SCP

with a derogation from the single currency. Even so EU membership will bring with it a series of precise rights and obligations.

Every EU member, including the most recent, will be participating in an economic union. As such, they will be required to consider their economic policies as a matter of common interest for all EU countries. They will be involved in close co-ordination on matters such as national convergence programmes, excessive deficit procedures and multilateral surveillance.

These commitments will also require that even non-euro members stick to the terms of the stability and growth pact, which is designed to ensure that economic and monetary convergence is durable. They will not be able to resort to any direct central bank financing of public sector deficits or to give public authorities privileged access to financial institutions. In addition all will need to have completed the liberalisation of their capital movements.

Similarly, exchange rate policy will also be a matter of common interest. Exactly how this will be handled is still being determined, but new member states will have to co-ordinate their exchange rate policies with that of the euro area and to avoid any excessive fluctuations which could upset the smooth operation of the single market.

What is clear, however, is that new members will not be required to fix their exchange rates to the euro as soon as they join the Union and it is widely accepted that an adjustment period is necessary. Only after budget consolidation, financial liberalisation and capital account convertibility have been achieved, is it realistic to expect exchange rate stability. It is not in the Union's best interests to impose on new members an exchange rate system which is neither sustainable nor credible.

The candidate countries will be able to choose whether to participate in the new exchange rate mechanism, known as ERM2. This is designed to help prepare currencies not yet in the euro for full membership and to ensure exchange rate discipline throughout the Union. Participation could have its attractions and the credibility which would come from a formal link to the euro could offer significant advantages. These could provide an anchor for macroeconomic policies, lower interest rates and attract capital inflows. In addition the flexibility of ERM2, with its relatively wide (15 per cent) standard fluctuation margins against the euro, timely realignments and the possibility of closer exchange rate links when appropriate, would enable participation to take account of the different economic conditions of the countries concerned.

The arrival of the euro will have wider international consequences, particularly in countries where economic and trade links with the EU are strong. Here there will almost certainly be a shift away from the use of the dollar, as is already happening in the candidate countries, where the Deutschemark is more in favour.

The euro's role is also likely to increase on the international capital markets.

There could be portfolio shifts in favour of euro-denominated assets. International investors should find these attractive since the sheer size of the euro area will mean the development of deep and liquid markets in euro-denominated instruments. The Commission is trying to ensure these are as broad, liquid, deep and transparent as possible by suggesting harmonised market rules and conventions and some informal co-ordination between issuers of sovereign debt is being examined to ensure a smooth match of supply and demand.

The growth of the unified financial market in Europe and the reputation of stability the euro will gain will undoubtedly increase its attraction as a reserve currency. This is likely to continue the present trend by central banks of non-EU countries to diversify their reserve holdings. ■

Rory Watson, Brussels

Sue Cunningham/SCP

Phare's focus sharpens

"From 1998 onwards Phare has one clear and simple objective in the 10 candidate countries: to prepare them for EU membership," according to Günter Burghardt, director-general of DGIA. Phare's sharpened focus will be based on the Accession Partnerships which provide "double programming". Each country's actions in relation to its preparations for EU membership Phare will be taken into account. Phare support will deal specifically with such actions.

From this year Phare will focus exclusively on the priorities identified in the Accession Partnerships which are reflected in more detailed terms in the national programmes for the adoption of the acquis.

Spending will be in a 30/70 split. Around 30 per cent of Phare money is to be spent on institution building, laying the institutional basis for accession. Assistance will concentrate on building the structures, human resources and management skills needed in each candidate to ensure the *acquis communautaire* (body of EU law) is in place and enforced. It will also make sure that an inclusive democratic society is in place and that the objectives of social and economic convergence can be met.

In future institution building will be supported in four priority areas: finance, justice and home affairs, agriculture and the environment. "One or two other sectors may be accorded priority depending on the specific needs of each country," adds Mr Burghardt.

Sue Cunningham/SCP

The focus is on strengthening those parts of the administration which are responsible for the implementation and enforcement of the *acquis*.

For institution-building projects, areas such as the modernisation of administration and the judiciary will be targeted. In some cases new administrative structures and focused training will be needed.

Phare will arrange for EU justice and home affairs experts to advise the candidate countries as well as support the purchase of essential equipment.

Through the Accession Partnerships there will be increased co-operation between candidate countries, the Commission and international financial institutions.

Democracy initiatives will be supported through the democracy programme as well as under the national programmes in line with the Accession Partnership priorities and under a new multi-country programme called Access.

Phare funds will also be used to encourage people in candidate countries to participate in existing EU programmes. In order to help candidate countries do this, Phare will be able to contribute some funds, but its contribution to EU programmes cannot exceed 10 per cent of the national Phare allocation to any one country.

The majority of Phare funds, however, will be allocated to providing what Mr Burghardt calls, "the necessary investments to address sectoral, regional and structural imbalances". These are expected to include help to regions in the candidate countries which are suffering from industrial restructuring, for example steel and coal mining.

The multi-country programmes are being rationalised and their number reduced. Four new multi-country facilities to be launched this year include one for large-scale infrastructure, small- and medium-sized enterprises (SMEs), a catch-up facility for Bulgaria, Latvia, Lithuania, Romania and Slovakia and a pre-structural funds programme.

Financing will include helping institutions to meet EU standards and norms and structural actions, including industrial restructuring, large-scale infrastructure projects co-financed with the international financial institutions and support for SMEs.

Through the Accession Partnerships there will be increased co-operation between candidate countries, the Commission and international financial institutions — mainly the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) and World Bank. More emphasis will be placed on co-financing.

Co-operation between Phare, international financial institutions and the Commission is outlined in a memorandum of understanding that establishes the eligibility and selection criteria for co-financed projects.

According to the memorandum particular attention will be given to programmes seeking to align legal and regulatory frameworks (especially environmental standards) with those of the EU as well as to projects which are financially and economically viable.

Major changes to the implementation of Phare programmes and projects are also being made. These will improve the speed and efficiency of implementation as well as help prepare the candidates for membership by aligning Phare procedures as far as possible with those applying to the EU's structural and cohesion funds.

Grant finance from Phare will concentrate mainly on "investment projects with high net economic benefits yielding limited revenue." There is a limit on the grant-to-loan mix. EU grant money must not exceed 25 per cent of the total project cost for large-scale infrastructure projects.

Phare's grant aid contribution could mean, for instance, the difference between the ability of candidate countries to undertake large-scale infrastructure projects, like waste water treatment plants. "Phare grant aid will help reduce the service costs of debt," says the EIB, as well as relieve pressure on cash-strapped local authorities and governments to find money for necessary large-scale and expensive infrastructure projects.

A special facility for funding large-scale infrastructure has been set up and approvals of the financing proposal covering a series of projects identified jointly with the international financial institutions is expected by autumn.

EU delegations will also play an important role in facilitating contacts between the international financial institutions, the Commission and the candidate countries to make sure that there is smooth co-operation and consistent application of procedures.

There will be a more flexible approach to industrial co-financing. The grant/loan mix will be decided on a case-by-case basis by the Commission, relevant international financial institutions and the national aid co-ordinators of the candidate countries.

So far the Commission, World Bank, EBRD and EIB have identified a preliminary list of projects which could qualify for co-financing in 1998-99, totalling around Ecu 3.5bn. These range from trans-European network projects to more small-scale ventures.

Selection criteria rests mainly on the project's relevance to the adoption and implementation of the *acquis*.

The EIB's role will substantially increase in the pre-accession phase. EIB will provide loan facilities in such areas of EU concern as environmental protection, transport, telecommunications and energy. It will also play a leading role in supporting enterprise, employment and regional development.

Through the EIB's new Ecu 3.5bn pre-accession facility, the bank will be able to double its lending to the candidates compared with 1997. "Under the pre-accession facility, the EIB applies a project based approach. There will not be any country programmes," says Wolfgang Roth, vice-president of EIB and responsible for the candidate countries.

EBRD is also looking at co-financing opportunities, particularly in municipal infrastructure, transport, energy, the environment, agri-business, the financial sector, support for SMEs and restructuring of large industries.

The World Bank is also expected to play an important role in pre-accession preparation through its analytical work and some co-financing of major infrastructure projects, as well as technical assistance in helping reform institutions at local and national level.

Agriculture will also be a priority area. Candidate countries' GDP has a larger share contributed by agriculture than in the EU and in almost every case also employs more people than is the norm in existing member states. A specific programme looking at restructuring and rural development, including the modernisation of the food processing industry is to be implemented.

Within the Union SMEs already benefit from a number of programmes and through Phare it is hoped that more funding can be offered to SMEs in the candidate countries. A new facility for these enterprises is being developed together with the EIB and EBRD.

No one underestimates the scale of pre-accession requirements. Even with the combined funds of Phare and the international financial institutions, the infrastructure requirements of the candidate countries will require additional private sector financing.

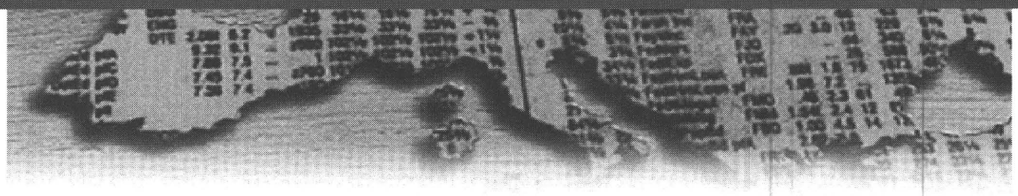
Major changes to the implementation of Phare programmes and projects are also being made. These will improve the speed and efficiency of implementation as well as help prepare the candidates for membership by aligning Phare procedures as far as possible with those applying to the EU's structural and cohesion funds.

The idea is to increase the impact and visibility while reducing administrative bottlenecks. Commitments will only be made for mature projects and programmes must be contracted within two years of their being launched.

In-country management will be simplified. The programme management units will be phased out. This should provide more effective management and better integration of the work into host institutions. ■

Michael Levy, London

in brief



Trade issues highlighted

Trade issues are top of the agenda as enlargement looms closer. The significance of enlargement for the internal working of Europe and the external implications, according to the Commission, will be profound. A major conference, bringing together trade ministers from the candidate countries and the EU to discuss the challenges facing the multilateral system and to discuss how best to deal with the enlargement challenge is being held in October*. Trade policy in light of an enlarged EU in the context of the international trade system will be highlighted. Working groups will focus on a number of specific issues, including agriculture, services, market access (tariff liberalisation, rules of origin, subsidies), and development of rules.

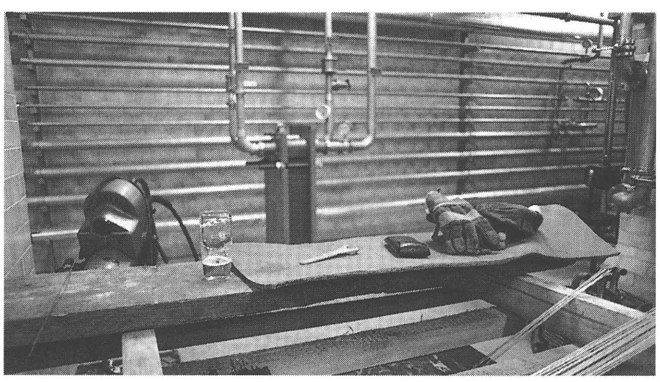
An enlarged EU will have a population of almost 480m with a combined GDP of around Ecu 6,700bn, accounting for around 20 per cent of world trade. It will also be the source of 46 per cent of world outward foreign direct investment and attract 31 per cent of inward foreign direct investment.

The current 15-member EU is already the largest single market in the world with no internal frontiers and harmonised regulations and standards which ensure free circulation of goods and services between all countries. Enlargement will extend these characteristics to the new members. For third countries, it will increase the size of the single market and simplify and enhance access to the current candidate countries.

The broadest effect of enlargement will be the extension of the EU's trade policy regime to the acceding countries. Where there is currently a single trade regime for the EU and different regimes for each candidate, only the Union's rules will apply after membership. This will help third countries expand and develop trade with the both the enlarged single market and individual new member states.

Beyond the simplification of procedures, enlargement will bring a range of immediate and tangible economic benefits to third countries. These will arise out of the acceding countries adopting the same open standard of treatment of third countries which the EU applies. The candidates will have to implement the Community Common Customs Tariff (CCT) on accession. The average weighted industrial tariff levels of the acceding countries are in general higher than the 3.6 per cent average for the EU. In most cases accession will lead to lower tariffs for third countries than was previously the case.

Another important consequence of the alignment of candidate tariffs with the CCT is that the present EU will, where current candidate tariffs are higher than the CCT, lose much of the margin of preferences it currently has in some markets in the acceding countries. Third countries fear that they are shut out of the current regional free trade zones which the Europe agreements provide. After enlargement the application of the CCT will eliminate that concern as there would be no preferential treatment of the EU relative to third countries, given that the candidates would then be part of the EU.



Sue Cunningham/SCP

* Trade, Enlargement and the Multilateral System conference will be held in Brussels on October 19. Attendance is by invitation only. More information on the conference from David Hudson, DGI (Tel: (322) 299 0748; Fax: (322) 296 3649; e-mail: hudsoda@dg1.cec.be).

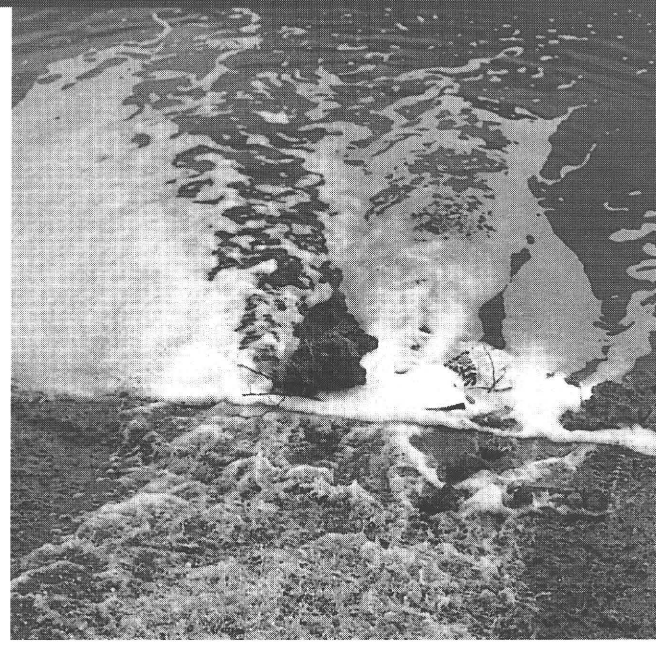
Bulgarian fund agreed

A new investment fund for Bulgaria has been set up by the EU and the European Bank for Reconstruction and Development (EBRD). The Bulgarian Post-Privatisation Fund (BPPF) will provide equity capital and management assistance to medium-sized enterprises that are presently unable to raise private equity capital. It will invest in privatised and new private sector enterprises in Bulgaria. Through its Phare programme, the EU is providing Ecu 15m for the fund. The BPPF will have a total capital of Ecu 40m. The fund manager, Europa Capital Management, is co-investing Ecu 10m.

Slovakia opts for euro

Marian Jusko, deputy governor of the Slovak National Bank, says Slovakia is considering changes in its foreign currency exchange mechanisms in preparation for the introduction of the single currency in early 1999. Slovakia will finalise those changes in the summer and introduce the new system next year. Slovakia's fixed exchange rate is calculated in terms of a currency basket based 60 per cent on the D-mark and 40 per cent on the US dollar.

in brief


Sue Cunningham/SCP

Environment initiative launched

Environment Commissioner Ritt Bjerregaard has launched a network for the implementation and enforcement of environmental law in the 10 candidate countries and Cyprus. This informal network, called AC-IMPEL, comprises officials from the accession countries working with national authorities dealing with the implementation and enforcement of environmental legislation. AC-IMPEL will work in close co-operation with the already existing EU IMPEL network in order to support the candidate countries in addressing issues related to the implementation and enforcement of EU environmental legislation during the pre-accession phase. Ms Bjerregaard says, "The idea behind this network is a simple and practical one: it is based on the recognition that environmental law, which isn't implemented, is not worth the paper it is printed on. We have had enough of fine legal 'green-speak' both in the EU member states and in your countries now is the time for genuine action. Action which addresses the real problems and difficulties for the environment and does something about them."

Meanwhile, The Commission has adopted a communication* on accession strategies to complement the accession partnerships. It will also provide help to the candidates in drafting national programmes for the adoption of the *acquis* (body of EU law). Effective, prioritised management of the approximation process is crucial because of limited resources. It requires careful strategic planning and cost-effective programmes. An initial Commission estimate of the total investment costs of meeting the environmental *acquis* is Ecu 100bn-120bn for all 10 candidate countries. The bulk of investment will be needed for air pollution abatement, water and waste water management and management and disposal of municipal and hazardous waste. Before accession the candidates should together with the EU draw up and start implementing national long-term strategies for gradual and effective alignment with the environmental *acquis,* particularly for tackling water and air pollution. This strategy for adoption and implementation of the environmental *acquis* should be combined with a reinforced EU pre-accession assistance strategy where investment for adoption of the environmental *acquis* is one of the priorities. The communication examines some of the practical questions which the Commission believes the candidates should take into account when developing national strategies.

The communication focuses on issues related to the candidates only as the situation for Cyprus is different with respect to the economic and historical background and to the EU instruments for financial co-operation. The main sector specific challenges for the candidates, according to the Commission, relate to air and water quality, waste management, industrial pollution control and nuclear safety. A survey of EU assistance instruments and programmes which can help the candidates meet EU environmental standards is outlined in the document. These include funding and assistance programmes to mobilise further resources for environmental improvements, to assist and advise the countries in the environmental approximation process and to support implementation and enforcement of environmental legislation. Financial assistance from the EU will cover only a minor part of all needed investments. However, the EU's financial assistance can have a catalytic effect in mobilising other resources. A comprehensive financial strategy and operational modalities for the use of EU financing instruments will be established within the framework of the accession partnerships and the national programmes for the adoption of the *acquis.*

** Communication from the Commission on Accession Strategies for the Environment: meeting the challenge of enlargement with the candidate countries.*

Democracy awards given

The EU and US jointly announced the winners of the Democracy and Civil Society Awards during the EU-US summit in London in May. Fifty awards worth $20,000 each were presented for outstanding contributions to democracy and civil society and for furthering the work of the winners in central and eastern Europe, the former Soviet republics and Mongolia.

The EU's democracy programme was launched in 1992 and has an annual budget of Ecu 20m-25m. Most of its grants go to non-governmental organisations (NGOs) that have built partnerships with EU counterparts.

The Democracy Award scheme was established in 1997 to celebrate the fiftieth anniversary of the Marshall Plan and the fortieth anniversary of the Treaty of Rome. US President Bill Clinton, British Prime Minister Tony Blair as current EU

president and Commission President Jacques Santer handed certificates to some of the winners. Similar ceremonies took place in the countries honoured. Each of the winners made a visible contribution to a better society, in some cases through individual effort, in others through the work of a group or association.
Fields in which those awarded work include conflict resolution, human rights, good governance, environmental protection, women's rights, minority rights, media, community activism, rule of law and civic education.
Winners in the candidate countries included:
Bulgaria: Mikhail Yanakiev and the Bulgarian Association for Fair Elections and Civil Rights; Creating Effective Grassroots Alternatives
Czech Republic: the People in Need Foundation
Estonia: Professor Marju Lauristin
Hungary: the Mayor and Citizens of Uszka
Latvia: the Latvian Centre for Human Rights and Ethnic Studies
Lithuania: the Lithuanian Centre for Human Rights
Poland: the Foundation for Education and Democracy; Tygodnik Powszechny
Romania: CRISS, the Romani Centre for Social Intervention and Studies; ANA, the Romanian Society for Feminist Analyses
Slovakia: People and Water; the Third Sector Gremium; the Jekhatane Association and Inforoma (a joint award)
Slovenia: VITRA.

More information on the democracy programme and the winning projects can be found at http://europa.eu.int/comm/dg1a/index.htm).

EU laws on Internet

The Commission has launched EUR-Lex, a new on-line service on the Europa server. Initially EUR-Lex will provide free public access to issues of the Official Journal (both L and C series) published in the last 20 days, the treaties, consolidated versions of existing legislation and recent judgements by the European Court of Justice. These documents will be available in the 11 official languages.
In a second phase, to be completed by the summer, EUR-Lex will offer access to all legislation in force. By the end of 1998 users will also have on-line access to new draft legislation presented by the Commission to the European Parliament and the Council of Ministers, plus other documents accompanying the legislative process.
Marcelino Oreja, the Commissioner responsible for information and communication policy, says EUR-Lex is "a vital contribution to the policy of openness pursued by the Commission and the institutions as a whole, and a service which meets a growing public demand." The Publications Office set up EUR-Lex to make EU law readily available to the public.

More information on EUR-Lex can be found on the Europa server (http://europa.eu.int) and at http//europa.eu.int/eur-lex.

Tax information

The Key is a new magazine about the EU's single market and tax and customs union policy. DGXXI is responsible for customs and indirect and direct taxation as well as for the external trade dimension of the internal market. The European Customs Union is the secular arm of the common external trade policy. The Key will explain the Commission's initiatives in the tax field as well as the customs union and for actions inside the EU institutions in developing these activities.

More information on the newsletter is available from Mario Burgio, Editor, European Commission, 200, rue de la Loi, B-1049 Brussels (Tel: (322) 295 1875; Fax: (322) 296 3306; E-mail: Mario.Burgio@dg21.cec.be). The newsletter can also be read on the Europa server at DGXXI's home page.

News in brief ...

The European Parliament has approved the common position adopted by the Council in December 1997 on the proposal for a directive on tobacco advertising and sponsorship. The Council is expected to adopt the directive which is expected to help regulate tobacco advertising and sponsorship. "A process has now begun which will lead to a virtual end to tobacco advertising and sponsorship in Europe. This will serve as an example world-wide that Europe is prepared to take the lead in reducing the appalling death toll from smoking. I look forward to co-operating actively with the incoming director-general of the WHO, Dr Gro Harlem Brundtland, on world-wide measures to discourage children and young people from smoking," commented Padraig Flynn, Social Affairs Commissioner.

The EU no longer believes Russia and China should be considered "non market" economies. The decision updates the anti-dumping rules which protect the EU against the unfair pricing of imports. The new rules allow decisions to be taken on a case-by-case basis. The onus is now on the exporter to demonstrate that it is operating in market economy conditions.

News in brief ... News in brief ... News in brief ... News in brief ...

Bulgarian officials are drafting a programme to help educate and employ the country's impoverished 500,000 Romani citizens. Petar Atanassov, the head of the National Ethnic and Demographic Council, says the programme will be drafted in co-ordination with Romani leaders and will aim to improve the opportunities available for Bulgaria's Romani citizens.

Hungarian former Foreign Minister Laszlo Kovacs says he is against imposing visa requirements on Romanians, as Austria is insisting. Hungary will not differentiate between Slovakia and Romania in applying visa regulations. Budapest does not want an "impenetrable wall" erected between Hungary and Romania, where many ethnic Hungarians live. However, the border must be tightened. The Austrian government claims that one-third of illegal aliens entering via Hungary are of Romanian origin.

Bulgaria and Greece are to work to build a "new pro-European image of the region", according to Bulgaria's President Petar Stoyanov. He says the two countries have agreed to build a highway between the Black Sea port of Bourgas and the Greek city of Ormenion.

Greece supports the basing of an all-Balkan rapid reaction force in the Bulgarian city of Plovdiv. The proposed force would include troops from Slovenia, Turkey, the former Yugoslav republic of Macedonia, Bulgaria, Greece, Romania and Albania.

Italian Defence Minster Benjamino Andreatta and his Hungarian and Slovenian counterparts, György Keleti and Alojiz Krapez, have signed an agreement establishing a joint peace-keeping brigade. The three countries' parliaments must ratify the accord. The force will be ready for deployment by mid-1999 at the earliest and will be under Italian command. The deputy commander post will rotate between Hungary and Slovenia.

The Polish Industry Ministry wants to close 24 of the country's more than 50 coal pits within the next three years, By 2002 the number of jobs in the coal mining sector will be reduced to 126,000 from the current 237,000. The government's goal is to decrease the losses in the industry (over $500m in 1997) and reduce output to 114m tons (output in 1997 was 137m tons). The plan is opposed by the country's trade unions.

Latvia has approved an action programme aimed at increasing national and public safety and promoting integration into the EU. The programme gives priority to setting up a system for crisis management.

Albania, Bulgaria, Greece, the former Yugoslav republic of Macedonia, Romania and Turkey have agreed to set up a multinational peace force in south-eastern Europe. The force will be subordinated to either the UN or to the Organisation for Security and Co-operation in Europe and could begin operations within two years. Each country will contribute some 5,000 troops.

Romanian Prime Minister Radu Vasile says he backs native-language education for the ethnic Hungarian population in Romania. He supports cultural autonomy, but rules out territorial autonomy for ethnic Hungarians. Around 100,000 Hungarians have left Romania in the last five years.

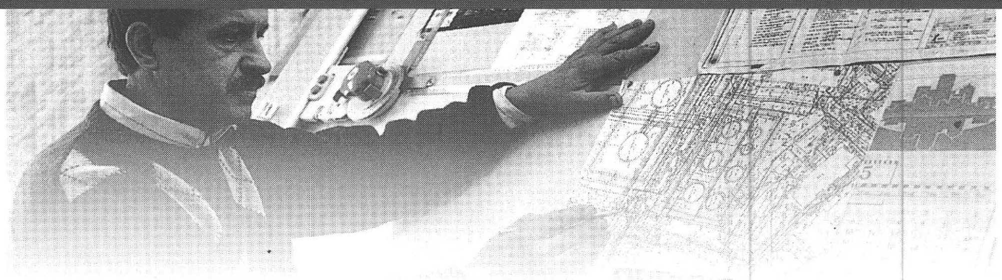
Public support for Slovakia's entry into the EU and Nato has increased according to a survey carried out by the Public Affairs Institute. The report showed 79 per cent of respondents favoured joining the EU, up from 74 per cent in a similar poll taken in October. Around 58 per cent of those polled supported joining Nato, an increase of seven per cent.

The European Investment Bank is to double its lending to the candidate countries over the next three years in order to help them prepare for EU membership. "We are now supplementing [last year's lending] with a pre-accession lending facility which is similar to what we did for Portugal, Spain and Greece before they joined the Union. Our total lending will double. Up to the end of the year 2000, we will lend another Ecu 6-7bn to these countries, raising from Ecu 1-1.5bn to between Ecu 2-3bn a year," says EIB president Sir Brian Unwin.

The EU is to help Romania with the problem of 70,000 out-of-work miners. Under the Phare programme money will be made available for retraining and other suitable schemes.

EU takes an interest in government purchases

Equal treatment lies at the heart of EU legislation. Public procurement must adhere to Union rules which help companies compete on an equal footing anywhere in the EU.



Government contracts are big business. In the EU it is estimated that public sector purchasing is currently worth about Ecu 750bn a year — the equivalent of 12 per cent of the 15 member states' GDP. As a result the purchasing decisions taken by national, regional or local authorities affect not just individual suppliers, but may also have a major impact on a country's economy as well. For that reason governments have traditionally used public procurement to promote and protect the development of their own industry, either by excluding participation by foreign companies or by establishing different kinds of domestic preferences.

So it is not surprising that the EU, with its emphasis on the equal treatment of all its members, shows such an interest in public procurement. It has taken many years. Not all the EU rules, which must be followed by public authorities wishing to buy certain goods and services or by public utilities such as water, energy, telecommunication and transport companies are yet fully in place.

The remaining gaps are gradually being filled. The EU now insists that contracts above a certain value are open to competitive tendering from companies in all member states. The EU is also putting into practice one of its fundamental objectives: the abolition of national discrimination between EU countries.

Sue Cunningham/SCP

This principle is also contained in the Europe agreements which the Union has signed with the 10 candidates. Each accord contains a provision confirming that any company established in any of the applicants may openly participate in the procedures for awarding contracts in the EU under conditions no less favourable to EU-based companies.

The drive to open up public procurement markets is not just a formal legal requirement. It also brings tangible economic benefits as competition between suppliers encourages efficiency.

In a reciprocal gesture, EU companies with subsidiaries in a candidate country or involved in a joint venture will be able to tender for public contracts just like any domestic company. The concession, however, does not apply to branches or agencies of an EU-based business.

By the end of the various transition periods (January 31 2004 for Hungary and Poland and a year later for Bulgaria, the Czech Republic, Romania and Slovakia), all EU companies will be treated as if they were domestic companies and consequently enjoy full access to procurement contracts in the candidate countries, even if they do not have a subsidiary or joint venture in the country.

Estonia has no transitional period, so EU companies now face no restrictions and the same will be true in Latvia and Lithuania from January 1 2000. Slovenia's transitional period will be six years after the coming into force of its Europe agreement.

The drive to open up public procurement markets is not just a formal legal requirement. It also brings tangible economic benefits as competition between suppliers encourages efficiency. This may mean that an existing supplier improves its performance in order to bid successfully for a subsequent contract or that this may, instead, be awarded to another company.

As a result of competitive tendering, state agencies are able to buy higher quality goods and services at lower prices than otherwise might have been the case. In the EU this is already estimated to have generated savings of Ecu 75bn a year.

There are also wider economic benefits. The spur of competition to win the contracts forces companies to improve their own internal operations, stimulating innovation and encouraging investment and growth. It offers businesses wider opportunities. As they increase their own efficiency, so they are better placed to win orders in other countries and develop a broader market.

At the same time, the opening up of public procurement markets in the candidates could be expected to encourage foreign companies to establish themselves in these markets, with the job opportunities this will bring. Equally, local businesses may acquire skills and know-how by setting up join ventures with foreign companies in order to win public procurement contracts or by working with them as subcontractors on major projects.

Finally, there are other, possibly less immediately visible, advantages. Opening up contracts to public tendering reduces the risk of corruption and increases the confidence of suppliers in the reliability of the particular national, regional or local administration as a business partner.

In the same vein, it ensures confidence in a country's overall commercial legal framework. Both are necessary commodities as the various authorities prepare to handle increasingly large sums of EU money on programmes ranging from regional development to environmental protection.

To ensure that every supplier interested in tendering for a particular contract has an equal chance, transparency is of the essence. This requires the purchasing opportunity to be announced publicly with clear details of the requirements to be met and a realistic time limit between the announcement of the call for tender and the deadline by which these must be submitted. There should be no covert attempts to restrict competition by introducing specific technical requirements which only a single company can meet.

Under EU rules any violations of these conditions can be challenged in the courts and, if successful, an aggrieved party is entitled to compensation. The need to avoid any discrimination in awarding public contracts is not just a requirement for existing and future EU members.

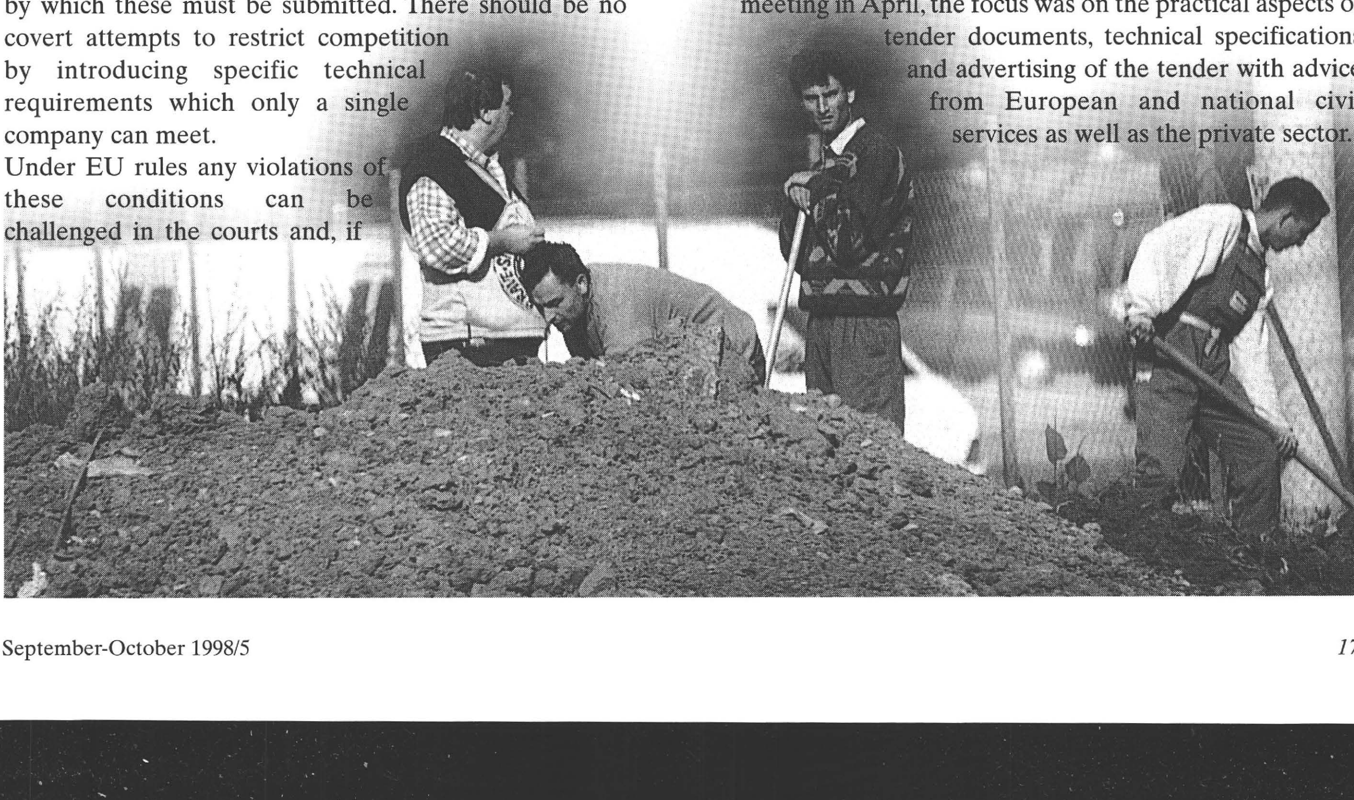
At the wider international level, the World Trade Organisation (WTO) is implementing the same principles of transparency, openness and appropriate enforcement mechanisms in competitive tendering through its own agreement on government procurement — an agreement which is attracting an increasing number of signatories.

As the Commission's opinions on the different membership applications confirmed last year, there is still some way to go before the twin requirements of introducing the necessary legislation and of giving EU companies access to the domestic public procurement market are met.

Undoubtedly the most advanced in achieving these targets are Estonia, Poland, Hungary and the Czech Republic. The progress these and the remaining applicants are making is now being closely monitored. In the screening process EU legislation is explained and the candidate countries are invited to indicate whether they foresee particular problems in the adoption, implementation and enforcement of the legislation. The screening exercise does not aim at assessing the extent to which the candidate is currently complying with EU legislation.

While the Commission is actively helping the candidates to take on board the EU's public procurement rules, it is strongly insisting that it is not sufficient merely to have the necessary legislation on the statute books. What is essential is that the administrations in these countries comply with the spirit of those rules.

To assist them in implementing existing Union legislation, the Commission and in particular its Technical Assistance Information Exchange Office (TAIEX), is organising seminars for officials from the applicant countries. There were three in 1997. At a recent meeting in April, the focus was on the practical aspects of tender documents, technical specifications and advertising of the tender with advice from European and national civil services as well as the private sector.



Sue Cunningham/SCP

The Commission services are also trying to construct a feasible timetable tailored to each applicant's particular circumstances for meeting all the public procurement requirements of EU membership.
These are set out in detailed "road maps" analysing individual areas of single market legislation ranging from intellectual property and insurance to data protection. These road maps have been prepared and are being used by the Commission services, in particular DGXV. The road maps are indicative. They suggest that a candidate should have adopted legislation within a certain time frame. Poland's map, for example, indicates that by the end of 1998, the government will have incorporated all EU public procurement legislation into domestic law. In particular, the scope of the rules should be extended to cover fully utilities such as energy, water, telecommunications and transport. However, it is not certain that Poland will have adopted that legislation by that time.

The purchasing decisions taken by national, regional or local authorities affect not just individual suppliers, but may also have a major impact on a country's economy.

Under the Europe agreements there are transition periods which end, but the actual agreements will remain in force until the candidate accedes to the Union. By the time Poland joins the EU, it will have phased out national preferences and opened up its contracts to all EU companies, wherever they are based.
A second strategic target, after completion of the single market legislation, concentrates on implementation and enforcement. This stresses the need to upgrade the performance of regulatory bodies and to develop and strengthen authorities involved in the supervision, control, monitoring and auditing of public procurement contracts. It also includes ways of improving the dissemination of information about future public contracts by using various forms of new technology.
In this second phase, which began earlier this year, the Commission's contribution involves training exercises to create a professional administration, the exchange of officials and the development of budget management skills and of professional monitoring schemes involving the collection and analysis of legal and statistical data.
The third strategic target emphasises the need to improve administrative co-operation between the Polish and EU authorities. Various schemes are being used to enable the former to become more familiar with the working methods and practices of the Union's institutions and member states.
These may in future include Polish participation in the Union's public procurement advisory committee. The country's officials will then be able to have first-hand knowledge of the system and staff will have the opportunity to see how the supervision and awarding of public contracts is done while working alongside their EU counterparts. Allowing the Poles and the other candidates entrance to this committee is, however, a legal issue which still has to be resolved.
Already various public authorities in the candidates have shown an interest in participating in the Union's public procurement information system (known by its French acronym, SIMAP*). The two pilot projects use electronic mail and on-line access to tender opportunities as a way of simplifying and speeding up information on tenders.
The fourth and final strategic target underlines the need to improve the management methods of public administrations which are the purchasers of the goods and services and to increase the confidence and effectiveness of potential suppliers which are gradually facing greater competition.
The first group needs to be completely on top of all the public procurement procedures. The second group, small and medium-sized companies, must be better equipped to react to the customer's needs.
Each applicant has a similar road map to help guide it towards its final destination — EU membership. ■

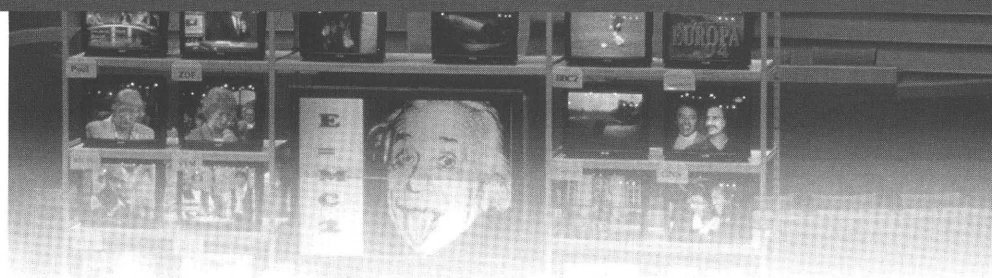
Rory Watson, Brussels

* *More information on SIMAP is available at its web site: http://simap.eu.int.*

Sue Cunningham/SCP

Free media not dependent on ownership

In order to become EU members, candidate countries must have a working democracy. One crucial element of that is a free press and media. But there is little guidance in EU rules and regulations over how the independence of the media can be maintained and what ownership structures may help or hinder that neutrality.



The transition from centralised to market economies in the candidate countries has brought a host of new challenges for the local media. Foreign acquisitions, modernisation, new technology and the need for openness have put an end to the cosy state-controlled environment that existed under the former communist regimes. Applicants must also meet three criteria: a functioning democracy; a functioning and competitive market economy; and adoption of the *acquis*.

A Green Paper* on the convergence of the telecommunications, media and information technology sectors and the implications for regulation was published last year. It aims to develop EU policy to support the information society and prepare Europe for the next century.

This paper, however, was strongly criticised for being excessively biased towards the telecommunications industry and for failing to take account of the social and democratic implications of recent and likely future developments.

Further consultations are taking place before the Commission can present an action plan later this year or early in 1999.

One big issue which is not covered by the Green Paper on convergence is the growing concentration of media ownership in the EU. Critics say the lack of policy on this issue is one of the biggest failings of the EU's media policies.

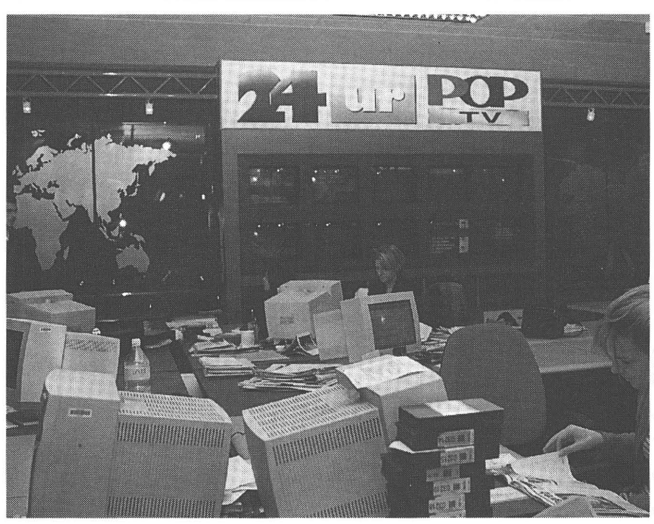
This is especially relevant for the candidate countries where major western groups have been buying up local newspapers and are queuing up to invest in local television. The written press which faces the most difficulties due to severe financial constraints is especially vulnerable. German companies, for example, have bought Bulgaria's two largest circulation newspapers and several regional Hungarian publications.

These developments have led to fears that the domestic media will be easy prey for western groups with little knowledge of local traditions and culture or interest in developing an independent press. In the long run, this could undermine choice and the range of information available. However, foreign investment can bring needed capital, new technologies and modern management skills.

The EU's focus on the audio-visual sector, primarily television and film, is not especially helpful for the candidate countries in this respect. If they want advice or information on what to do about excessive concentration of media ownership in their country, they will be hard put to find it within the Commission. The EU does not have an official policy on press concentration aside from the idea that an independent press is an essential prerequisite for a democracy. The Commission has presented a Green Paper and a communication on pluralism and media concentration in the single market.

The only redress available in EU member states against abuses of dominant positions in the market or overbearing mergers comes from competition law and national laws on media ownership. The disparities in these rules between member states are significant and because they have a negative impact at EU level, the Commission launched an extensive analysis and consultation process.

Efforts to draw up a draft directive on media concentration has not yet been endorsed by the Commission which continues to examine this issue.



Sue Cunningham/SCP

As one EU official explained, "Anything that has to do with the media used to be something entirely left up to the member states, but little by little, as the industry has grown, this has changed." But it is still an extremely sensitive issue and most countries still want to have their say. There are sovereignty and subsidiarity issues involved. Officials stress there are various avenues available for complainants. While there are no specific arrangements for the media, various directives and treaty articles 85 and 86 dealing with cartels and price fixing and abuses of dominant position respectively and merger regulation can be invoked under EU laws.

In any event, the issue of media concentration and ownership has not been a major priority for candidate countries' governments, and it has not been raised as an issue in the current accession negotiations.

The EU does not have an official policy on press concentration aside from the idea that an independent press is an essential prerequisite for a democracy.

There are various reasons for this. On the one hand, the transition towards market economies and the experience of state-controlled media under the communist regimes, encourage a laissez faire approach about media ownership in the private sector. In some countries governments still retain considerable influence over the press and television. Concern over this issue was raised in the Commission's opinions on the candidates (ED 1997/6, page 2). For example, while the Commission considered there were no major problems over respect for fundamental rights in Poland, it noted certain limitations to the freedom of the press that would need to be addressed by the authorities. Parliament is now dealing with this.

Freedom of expression in Hungary is assured by the constitution, which prohibits censorship and guarantees journalists rights. However, the public sector still plays a large role in the media and a dominant role in radio and television. The government controls, in particular, the budget given to television channels. The lack of legislation applicable to all the media does not give the opposition appropriate guarantees for fair access to new channels resulting from future privatisation, the Commission opinion said. However, the Hungarian law provided for the introduction of private television broadcasting and that the regulatory body responsible for issuing licenses for private channels is made up of representatives of all political parties.

Similarly, freedom of expression and pluralism in Bulgaria is sustained by some 30 radio stations, three public broadcasting networks and a private national network as well as several private local television stations. The impartiality of public radio and television in the country has often been questioned and the opposition was given much less air time than the governing majority during the 1996 presidential election campaign and in the run-up to the April 1997 general election.

Lastly, the threat of take-overs by western groups raises issues about the future of an independent national press in the candidate countries, and in some cases it has provided a convenient excuse for slowing the privatisation process. But whatever the reason, press concentration is not a preoccupation for the candidate states.

The candidates must not only accept the *acquis*, but they must also fulfil several political conditions on democracy and human rights.

What will certainly be discussed are the *acquis* covering the audio-visual industry. These focus on the provision and free movement of audio-visual services within the EU as well as the promotion of the European programme industry.

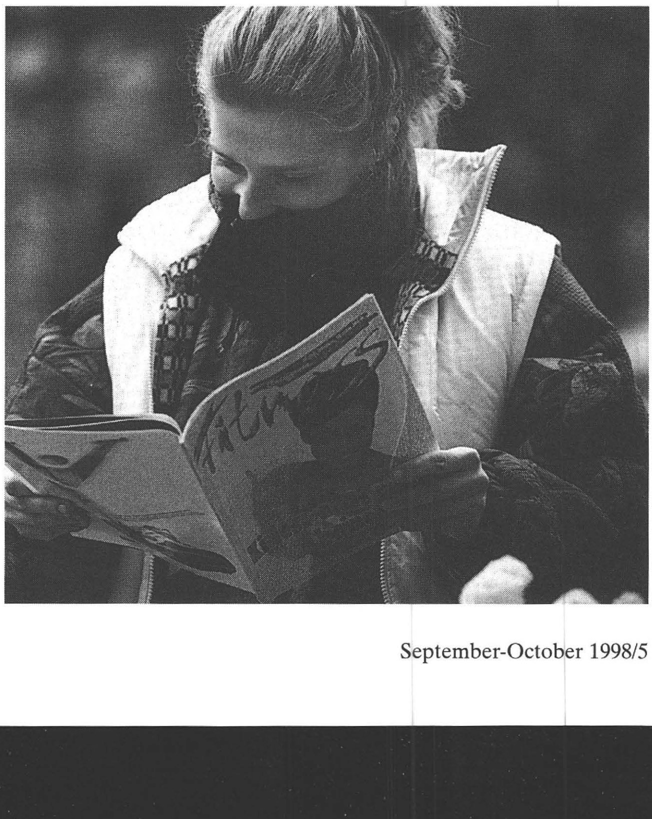
The Europe agreements provide for co-operation in the promotion and modernisation of the audio-visual industry, and the harmonisation of regulatory aspects of audio-visual policy.

Nevertheless, meeting all the requirements enshrined in these regulations will be challenge enough for all candidate members, as the opinions make clear.

The candidate countries will be able to draw on EU expertise and some financial assistance for specific projects, but the lack of an overall EU policy on media concentration means that they will have to draw on the individual experience of existing member states with their own specific — not to say idiosyncratic and occasionally conflicting — approaches to this issue.

The candidate countries are slowly adopting EU audio-visual regulations, but as one critic noted, they are under heavy pressure to sell their soul to major media groups eager to win a bigger international market share. Analysts say it is difficult for any private owner to control a market profitably. The key issue for governments is to ensure an open and free environment. Whether this will be enough to protect local tradition and culture is an open question.■

Patrick Blum, Brussels



Sue Cunningham/SCP

Media ownership

BBC guards its independent status

The British Broadcasting Corporation (BBC) is 75 years old. As a public service broadcaster, the BBC is funded mainly through a license fee levied on television viewers. As an increasingly commercial organisation with global business aspirations, it is trying to balance non-commercial public service with the need to make money.

Most of the BBC's activities are financed by a licence fee: an annual tax on users. An exception is the World Service radio division, financed by a grant from the Foreign and Commonwealth Office (FCO). Programmes funded by licence fee or grant are forbidden by law to take advertising or sponsorship.

Although financed by the viewers and listeners, and given its legal status by the Queen and her government, the BBC is far from being a state broadcasting service. The corporation's independence from government is enshrined in its constitution as set out in a royal charter renewed every 10 years.

This royal status means the BBC's existence and independence is granted under royal prerogative, but submitted and drafted by the government. Its existence is guaranteed by the monarch. No ruling party, however powerful, can overturn or amend the BBC's charter, due for renewal in 2006.

The BBC's structure is, however, linked to government, albeit with many checks and balances underwriting its editorial independence. A government minister appoints the governors, drawn from industry, the arts and business. Their main role is to ensure that the BBC carries out its obligations to the public as set out in the royal charter and other documents.

BBC governors have influence on the corporation's strategy, but not on the day-to-day running of the group. A director-general — a mix of chief executive and editor-in-chief — heads the board. The current director-general is John Birt, a man with a mission to make the BBC more cost effective and to assure the corporation a place in world broadcasting.

The BBC consists of several directorates, each with its own management structure. These include broadcast (responsible for commissioning and scheduling programmes); production (making programmes) and World Service (the international radio broadcaster).

There are two wholly-owned subsidiaries: BBC Resources (equipment and crew) and BBC Worldwide (the main commercial arm of the BBC). BBC Worldwide is Britain's third largest consumer magazine publisher and also produces videos, cassettes, programme licensing and character merchandising.

BBC Worldwide is funded by advertising and commercial sales. Besides co-productions with overseas broadcasters, it is involved in a number of private sector partnerships which enable it to offer a global television service with such channels as BBC World, the 24-hour news and information service, and UKTV, a general entertainment subscription channel for the Australian market.

It has strategic partners within Britain to produce and market cable and satellite channels, such as UK Gold.

According to a BBC spokesman, "BBC Worldwide is becoming much more commercially astute. We're moving into global brand development which builds on the unique, high profile BBC brand."

The BBC broadcasts to 140m people around the world. World Service has a remit to enhance Britain's standing abroad and to promote "a better understanding of the UK, its policies and way of life". This does not mean it is a mouthpiece for the government. Its is also required to provide "an unbiased and reliable service of national and international news . . . a balanced British view of events".

According to the Foreign an Commonwealth Office (FCO), "We never interfere with editorial decisions. They have complete independence and we regard them as a national asset."

BBC insiders confirm they have a free hand to say what they like, although there are regular working party meetings between the BBC and FCO.

BBC News is one of the largest news-gathering organisations in the world, employing 2,000 journalists in 50 bureaux world-wide. The directorate also provides news-based programmes for World Service radio. It has recently launched a 24-hour news channel in Britain, an on-line service and continues to provide a text information service on the two terrestrial television channels.

Although the BBC's independence from political control is enshrined in the royal charter, politicians from all parties still try to influence the BBC's output and regularly complain about a perceived bias in the BBC's reports. The BBC's staff, too, is widely known to be fiercely independent.

There are times when impartiality is hard to maintain. ■

Michael Levy, London

Sue Cunningham/SCP

Spanish media highly influenced by politics

Sue Cunningham/SCP

The Spanish media has never been entirely free from official control. The national news agency and broadcast media in particular have resisted the democratic tide that swept the country after the death of Franco in 1975.

This is not to say Franco's legacy lives on in Spanish newspapers and television: rather that the habit of state interference has been adopted by subsequent, democratically elected governments, both left and right.

The Spanish press is hugely influential, despite a newspaper readership level that is one of Europe's lowest. Surveys suggest about half of Spaniards never read a newspaper. They prefer to listen to the radio or watch television. Yet there have been many occasions in the recent past when the press, rather than the government, has set the political agenda.

There is in Spain no tradition of a popular press comparable with papers in Britain or Germany directed at the working class reader, with slangy language, splashy headlines and gossipy titillating material. All Spanish newspapers are what are termed quality or serious papers — written by middle-class intellectuals in elitist, non-popular language for other members of the elite.

Attempts to create a more popular journals have failed — something Spain has in common with other Mediterranean countries.

Spain has middle class papers perhaps because it has middle class journalists. Most are university graduates of journalism schools originally set up under Franco's dictatorship to keep the profession under control. This may help account for the deference of Spanish journalists, a respect for those in authority alien to the British or US tradition which seeks to expose the ways the rulers are gulling the ruled. In a young democracy, too, many still fear that strong criticism of political leaders might be destabilising.

Democratic institutions may be firmly implanted in Spanish society, but the media remains a powerful instrument of political manipulation.

However, press exposed uncovered scandal after scandal towards the end of Felipe Gonzalez's socialist government that eventually fell in 1996 after over 13 years in power. The most serious scandal surrounded the Gal anti-terrorist squads that killed more than 28 suspected Basque separatists in the 1980s. Important as these press revelations were, the investigative impulse was largely guided by political antagonism to Mr Gonzalez and his party rather than journalistic integrity.

Spain's newspapers are strongly partisan and devote enormous amounts of space to signed opinion pieces that are often vicious personal attacks on ministers or other journalists — often inexplicable to the general public.

The leading newspaper, *El País,* was closely associated with socialist and democratic forces leading Spain from dictatorship. It played a crucial role in educating and informing the public of what the transition meant. When the socialist government was elected in 1982, the paper was widely regarded as the government's mouthpiece and lost its critical edge.

El País journalists, rather than relishing their freedom when the socialists fell, lamented the loss of access to the leadership.

If the press is fiercely divided along political lines, this is nothing compared with the television and radio, which is overwhelmingly government-influenced. The Administrative Council that governs the state television company, RTVE, is made up of members elected by the Cortes (parliament) and is heavily weighted in favour of the government.

When a conservative government was elected two years ago, there was a complete change of guard in RTVE and Efe, the national (one could almost say, official) news agency. Any attempt at objectivity was jettisoned or widely regarded as a sham. Senior journalists of many years' standing were dumped for being on the wrong political side, something that many in the business shrugged off as the inevitable consequence of being too outspoken.

In recent years the situation has become complicated by the emergence of pay digital television and of battles over hugely profitable rights to broadcast the national passion, football.

Digital companies have been set up by competing broadcasting, newspaper and magazine empires. For example, Canal Plus pay channel was launched with Canal Plus of France and a clutch of Spanish banks by the Prisa empire that owns *El País,* the radio channel Ser and extensive publishing interests.

The conservative government tried to set up its own pay television operation in alliance with another group of media interests to compete with Prisa. It regarded Prisa as a socialist mouthpiece. A fierce polemic ensued in which leading protagonists took each other to court.

Competing media empires, each with their own political agenda, have carved up Spanish press and broadcasting to such an extent that there is now no neutral ground. Democratic institutions may be firmly implanted in Spanish society, but the media remains a powerful instrument of political manipulation. ■

Elizabeth Nash, Madrid

EU takes the initiative

Among the EU's array of measures to defend and promote Europe's audio-visual industry, the Media II programme takes pride of place. Five major films competing at this year's Cannes Festival were supported by the programme, giving an indication of its growing importance.

Following on from a previous programme, Media II focuses on three sectors which are held to be the key to the competitiveness of Europe's audio-visual industry: training of professionals, development of promising works and their cross-border distribution on the European market.

The Commission is responsible for ensuring that the involvement of professionals in the programme is geographically balanced and reflects Europe's cultural diversity. Special attention is paid to the specific needs of countries with only a small production capacity and/or a limited language audience. Attention is also given to the development of small- and medium-size enterprises which are seen as the most dynamic for independent production and distribution.

Candidate countries can participate in Media II if they have the appropriate level of legislation in place and have aligned their laws within the EU's audio-visual regulatory framework. Cyprus, Malta and the members of the European Economic Area agreement (Iceland, Norway and Liechtenstein) can also take part in the programme. Media II is open to co-operation with other non-member countries which have concluded agreements with the EU containing audio-visual clauses.

The lion's share of the programme's Ecu 310m budget goes to support development of projects, companies and distribution. A further Ecu 45m is aimed at training initiatives.

Financial support is provided in the form of loans or subsidies of up to a maximum of 50 per cent of the costs of a project, while support given for training come as non-repayable grants that can represent as much as 75 per cent of costs.

Support for project development is aimed primarily at film and television drama, documentaries and animation. Producers and creators of works with commercial potential on the European market are eligible for financial and technical assistance for script-writing, for putting together the financial package and producing the business plan for their project. Media II also aims to encourage distributors to invest in the production of promising films and to enhance their chances of world-wide distribution by increasing the number of copies available and money spent on promotion. ■

Sue Cunningham/SCP

Audio-visual regulation needed in candidate countries

"The need for comprehensive regulation for the audio-visual sector in the candidate countries is pressing," begins a recent Commission study* of the audio-visual markets in the candidate countries. It continues: "Almost a decade after the political changes, the audio-visual industries in many of the countries have either been taken over by foreign interests or are on the brink of collapse. Most strikingly, the role of public service broadcasters has considerably diminished as regulatory policies have, in general, allowed private commercial broadcasters to operate under more liberal terms.

"While the public service broadcasters are squeezed by advertising restrictions, dwindling licence fee revenues (which have rarely been adjusted since the political changes and which are not always effectively collected), lack of state funding and political interference, the private sector has been thriving, taking most advertising revenues and operating under conditions less restrictive (and less expensive) than the public service broadcasters (who have obligations to produce and broadcast programmes of a public service nature)."

The whole issue of media regulation is a complex area where emotions often run high. The issue can be linked to competition cases alone and many of these cases have already had an impact on media pluralism. Single market rules also apply to cross-border and cross-media ownership issues, touching directly the issue of media pluralism. The audio-visual sector is one of the most controversial areas of EU policy. Member states are reluctant to cede authority to the Community in this area, but yet in order to preserve the single market, audio-visual needs to adhere to some common rules.

Directive 97/36/EC (June 1997), amending directive 89/552/EEC, co-ordinates provisions in member state law, regulation or administrative actions on television broadcasting activities. As regards freedom of establishment and free movement of services this is the most relevant piece of EU law regulating television broadcasts. Under the directive, the responsibility of the EU for audio-visual policy was established by definition.

Recently the Commission adopted a new policy on commercial communications in general (advertising, sponsorship and other areas). The aim of this policy is to facilitate cross border provision of commercial communication services through the establishment of an efficient and transparent framework.

At the same time a consistent EU audio-visual policy has to take into account specific cultural and social dimensions.

Since 1984, when the first Green Paper on audio-visual was adopted by the Commission, a list of policy objectives has also been developed. The aim is to create a common legal framework which helps develop a European market in broadcasting and related activities, such as television advertising and the production of audio-visual programmes. Diversity is also being encouraged and the uniqueness of each member state's audio-visual system and traditions respected.

In the candidate countries the audio-visual sector lacks the basic elements to thrive. It is also possible the national programme industries may not survive. Why?

If candidate countries do not establish a basic level regulatory playing field for the whole broadcasting sector, then both public service and the home-grown programme industry will be at an economic disadvantage.

For example, if they only regulate national terrestrial public broadcasters and subject them to restraints and obligations which are not extended to other broadcasters operating on their territory (private terrestrial, cable and satellite broadcasters), then different conditions apply and all is not equal.

If the industry is killed-off in the candidate countries, when they accede to the EU, this will have a negative impact on the whole Union's audio-visual industry. Enlarging the EU should increase the scope and scale of Europe's audio-

Sue Cunningham/SCP

visual sector. There will be added economies of scale, increased markets and sales opportunities.

The greatest and the most immediate challenge for the 10 countries is the enactment and implementation of comprehensive regulations, applicable to all players in the audio-visual market, based on the EU model. "The main aim of directive needs to be understood by the candidates. It is to make sure there is free circulation of television broadcasts in the EU. In the EU, each broadcaster is submitted to the rule of law of one and only one member state in the EU. All other member states must respect freedom of reception and not submit reception to added conditions on a domain covered by the directive. To allow the implementation of these basic principles, the directive gives a framework for common rules on such things as commercial advertising, sponsorship, television shopping and, of course, promotion of EU works, independent productions the protection of minors, access of the public to major events and the right of reply," explains a Commission official, adding, "On top of the 1997 revision, we added a new area — access of the public to major events. That includes sport and other activities," explains a Commission official." But the EU directive does not cover all aspects of broadcasting regulation. It does not tackle the question of media ownership limits to protect pluralism.

"EU regulation is about what's transmitted not only to their own nationals, which they can restrict. But you cannot restrict the freedom of reception," says the Commission.

Most of the candidate countries are not keen to regulate broadcasting initiated in their country and targeted for foreign audiences. "Under the directive, the country where the broadcaster is established is most of the time the country which regulates it, no matter where its programmes are broadcast," explains a Commission official.

For example, if country A has two broadcasters established on its territory and one is a national broadcaster and the other satellite, the EU rules apply equally to both, even if the satellite broadcasts are directed at audiences in, say, country B. Both should be submitted to the same basic legislation. On the other hand, country A may receive programmes broadcast from country B. Although country A may be keen to regulate these broadcasts, it cannot because that is up to country B.

"If there are totally different rules in member states, then there is not a single market for investment," comments a Commission official. There are more complications. Some of the candidates have ratified the Council of Europe convention on trans-frontier television and others intend to in the near future. These rules are not the same as those in the EU. The convention is being reviewed so it can be aligned and be compatible. Meanwhile, there is no coherent European framework to deal with transnational broadcasting.

Another issue is support for national language and European programming. "With more markets more profits can be made. Profits can be reinvested in production and programmes sold at cheaper prices," explains a Commission official. "That's one of the reasons why US products are relatively popular. They have already been sold on the large US market and so can be sold cheaply within Europe, especially to the candidates because most of the EU has already seen them several times. But EU producers can't export programmes to the same extent at the same price without some sort of support mechanism."

Most candidate countries already acknowledge this issue. In regulatory terms there are two extremes in dealing with it. On one end of the scale is Poland, which has in its broadcasting legislation a strong obligation to promote Polish works with broadcasting council regulations extending to cover European works. This reflects the government's belief that the Polish audio-visual industry must be maintained and used to express Polish culture and language. It is trying to counterbalance the trends of US products.

"It is a question of reflecting society's values plus acknowledging that film and audio-visual products are a valid industry to develop and preserve," comments a Commission official. But Poland is a special case.

There is a majority in parliament which agrees that it is necessary to use regulatory power to influence the content of the media. They do not act as censors but do have one of the most powerful independent bodies found in the candidate countries to regulate the audio-visual sector. At the other end of the spectrum is the Czech Republic. There politicians were keen to have an unfettered market economy. This meant that audio-visual received little attention or regulation.

"Granting Nova TV a licence in the Czech Republic was almost like granting a licence to kill the local competition," says one observer of the market. Claiming 40 per cent or more of the largest audience share, Nova TV appears to be able to set its own rules and agenda. A relatively weak and ineffective regulatory body is unable to intervene. Draft legislation only deals with the issue of jurisdiction.

"But these are complicated problems. It is a question of what suits each country, what their culture and society want," says a Commission official. The screening exercise for all 10 candidate countries has now been concluded. This process gives pointers to governments as to where there are legislative gaps and what sort of issues they need to address.

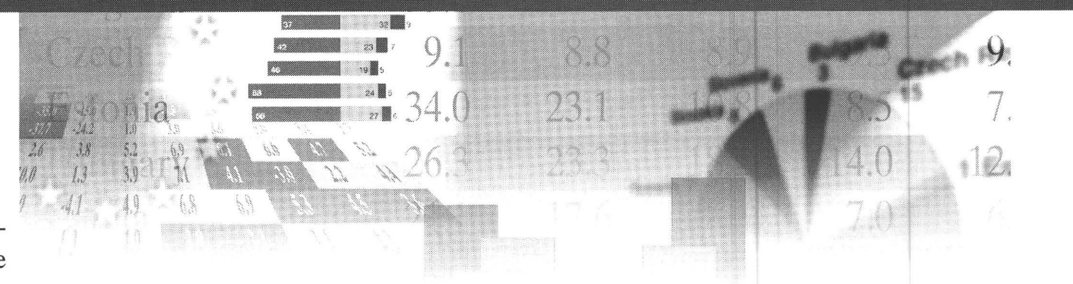
Already there are examples of tough choices and decisions which will need to be made. For example, do the three Baltic states allow pure Russian broadcasting to the part of their populations which are Russian-speaking or do they insist that all broadcasting must be in the national language? Should the Romanian authorities allow Hungarian television products in the Hungarian majority areas or should the government defend the Romanian language?

These and other problems are issues which will need to be addressed with both understanding and sensitivity. Candidates may find some help within existing member states, but in most cases, they will have to make the choices themselves, using the existing EU legislation and principles as a framework and guide. ■

* *The Development of the Audio-visual Landscape in Central Europe since 1989 by DGX, directorate C (audio-visual policy, culture and sport), DGIA, directorate B (relations with central Europe) and in association with Eureka Audio-visual. Published by ULP/John Libbey Media, University of Luton, 75 Castle Street, Luton, Bedfordshire LU1 3AJ, Great Britain (Tel: (44 1582) 743 297; Fax: (44 1582 743 298; E-mail: ulp@luton.ac.uk).*

Sue Cunningham/SCP

Trade links grow



Trade between the European Union (EU) and the candidate countries is growing. EU exports in 1997 to the 10 candidate countries totalled Ecu 78.2bn in 1997 — a rise of 23 per cent compared with the same 1996 figure.

Leading the top of the export list were machines and electrical goods followed by transport and textiles.

The most dynamic sectors compared with 1996 included metals, machinery (up over 28 per cent) and electrical goods plastics and transport materials.

Imports in 1997 totalled Ecu 56.6bn from the candidates, a rise of 20 per cent compared with 1996. Topping the list were machines, electrical materials and textiles.

Overall the EU's trade with the 10 candidates is still relatively small compared with intra-EU trade levels and trade with the rest of the world.

Germany maintains its role as the main EU trading partner with all the candidates followed by Italy, Austria, France, Great Britain and Belgium and Luxembourg.

Poland, the Czech Republic and Hungary are the main targets of EU exports, taking 69 per cent of the total. Their sales to the EU account for 66 per cent of total EU imports from the 10 candidates. ■

Sue Cunningham/SCP

EU member state imports from the candidates in 1997 *(in million Ecu)*

	Poland	Hungary	Czech Republic	Slovakia	Bulgaria	Romania	Slovenia	Estonia	Latvia	Lithuania	All candidates	% change over 1996	% total EU
France	1029	676	567	170	144	420	410	29	35	122	3594	10	6
Bel/Lux	477	385	373	116	96	141	91	55	60	69	1864	19	3
Netherlands	850	680	362	129	92	183	109	191	261	117	2976	18	5
Germany	7208	5407	6992	2116	447	1341	2055	225	332	447	26572	19	47
Italy	1350	1151	755	521	536	1500	1068	20	18	69	6989	25	12
Great Britain	870	705	679	121	135	293	140	149	285	189	3567	28	6
Ireland	67	25	40	6	2	4	4	4	15	2	170	20	0.3
Denmark	661	73	121	20	22	16	48	63	80	104	1209	20	2
Greece	76	78	87	32	367	174	21	0.7	1	2	839	22	1
Portugal	29	11	33	9	17	13	11	7	2	10	140	7	0.2
Spain	254	266	158	60	127	88	47	16	11	56	1084	20	2
Sweden	548	165	206	44	19	46	56	351	151	78	1665	26	3
Finland	295	73	90	36	7	5	16	382	30	24	960	24	1.7
Austria	439	1854	1276	595	70	179	581	5	6	21	5026	19	9
Total EU	14155	11548	11733	3978	2082	4405	4659	1496	1288	1311	56656	20	-

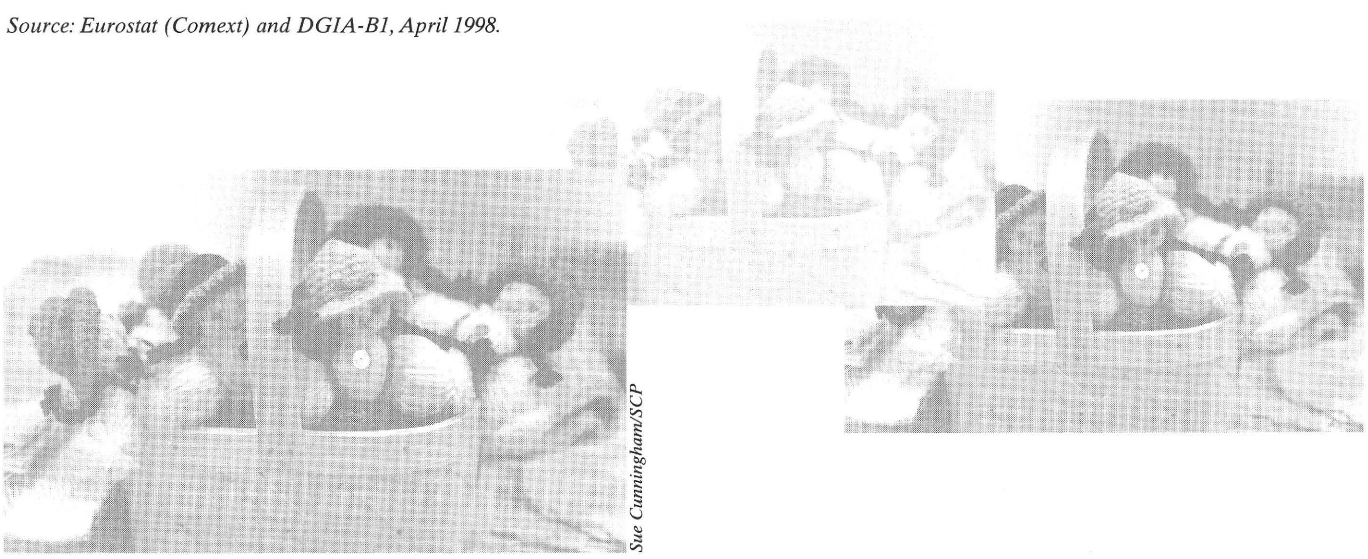
EU member state exports to candidates in 1997 *(in million Ecu)*

	Poland	Hungary	Czech Republic	Slovakia	Bulgaria	Romania	Slovenia	Estonia	Latvia	Lithuania	All candidates	% change over 1996	% total EU
France	2064	821	1066	337	146	542	883	59	77	127	6123	25	8
Bel/Lux	1240	608	585	142	71	178	145	58	84	94	3208	28	4
Netherlands	1537	588	665	212	85	184	190	85	103	129	3779	31	5
Germany	10519	5935	8398	2323	561	1600	1819	335	451	842	32784	22	42
Italy	3289	1469	1333	591	330	1507	1749	88	91	171	10618	16	13
Great Britain	1932	615	997	189	110	302	204	90	121	150	4711	29	6
Ireland	180	75	114	20	5	17	16	12	9	15	464	20	0.6
Denmark	775	100	158	41	28	40	44	90	84	211	1573	20	2
Greece	81	50	44	12	278	154	16	1	5	17	659	18	1
Portugal	41	58	20	9	10	5	4	3	2	5	157	20	0.2
Spain	700	247	370	89	22	60	167	25	21	46	1748	29	2
Sweden	1170	234	315	82	35	113	89	360	219	155	2772	33	3.5
Finland	614	173	247	53	24	21	29	1117	237	140	2658	25	3
Austria	841	2564	1504	689	127	277	932	23	19	33	7010	26	9
Total EU	24986	13539	15816	4788	1834	5044	6289	2347	1525	2138	78266	23	-

EU member state trade balance with the candidates in 1997 *(in million Ecu)*

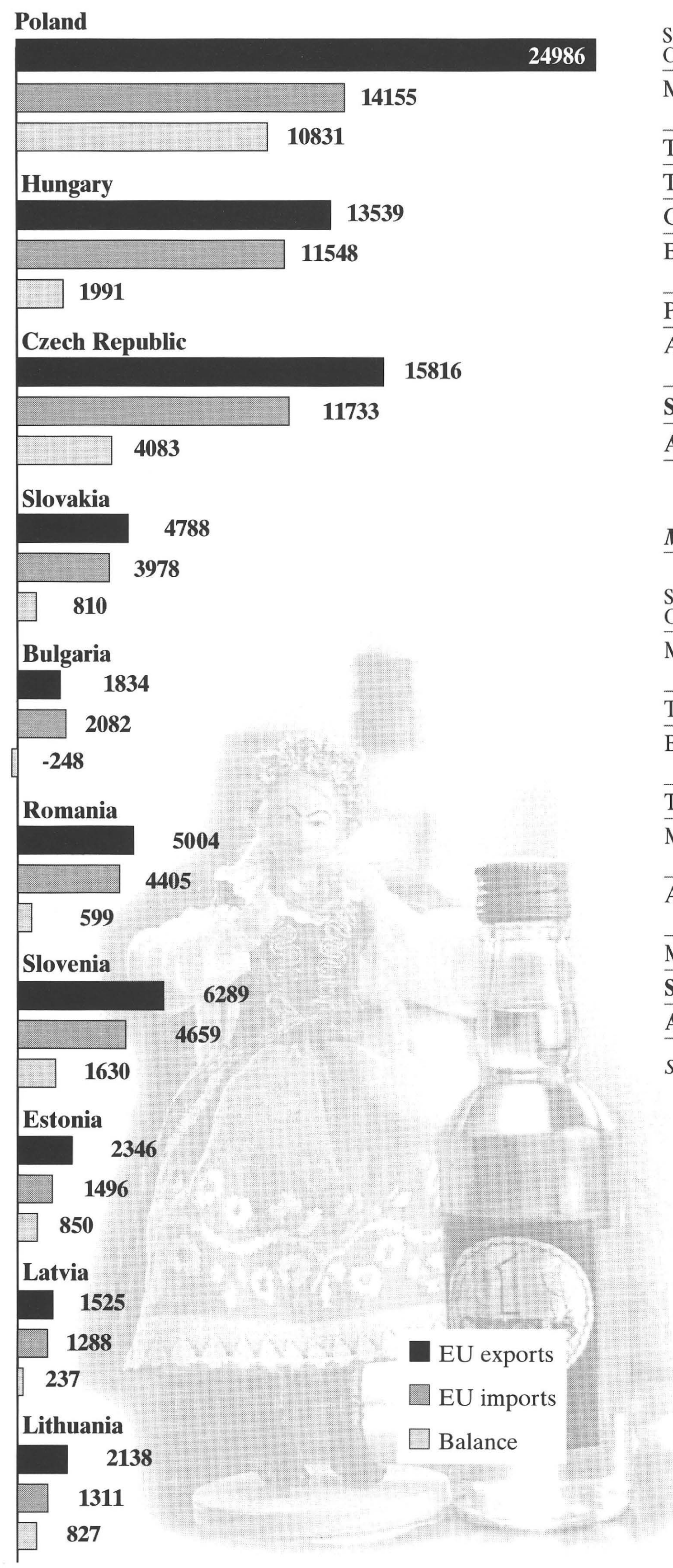
	Poland	Hungary	Czech Republic	Slovakia	Bulgaria	Romania	Slovenia	Estonia	Latvia	Lithuania	All candidates	% change over 1996
France	1035	146	508	166	2	122	473	29	42	5	2529	54
Bel/Lux	762	223	212	25	-24	37	54	4	25	25	1344	42
Netherlands	687	-92	302	82	-7	1	81	-106	-158	12	803	112
Germany	3310	528	1405	207	113	259	-236	109	119	395	6212	33
Italy	1939	318	577	70	-206	7	681	68	72	102	3630	2
Great Britain	1062	-90	317	66	-25	9	64	-58	-163	-38	1144	33
Ireland	113	50	74	13	3	13	11	7	-6	12	294	20
Denmark	114	27	37	21	6	24	-4	27	4	107	364	24
Greece	5	-28	-43	-20	-88	-19	-4	0.4	4	16	-180	-37
Portugal	12	47	-14	-0.1	-7	-8	-7	-1	0.04	-5	17	18
Spain	446	-19	212	29	-105	-28	120	9	10	-10	663	50
Sweden	622	69	108	37	16	67	33	8	67	78	1107	46
Finland	319	101	157	17	17	16	13	734	208	115	1697	25
Austria	402	710	228	94	57	98	351	18	12	12	1984	48
Total EU	10831	1990	4083	810	-248	599	1630	850	237	827	21610	32

Source: Eurostat (Comext) and DGIA-B1, April 1998.



Sue Cunningham/SCP

EU trade with the candidate countries in 1997 (in Ecu m)



Source: European Commission

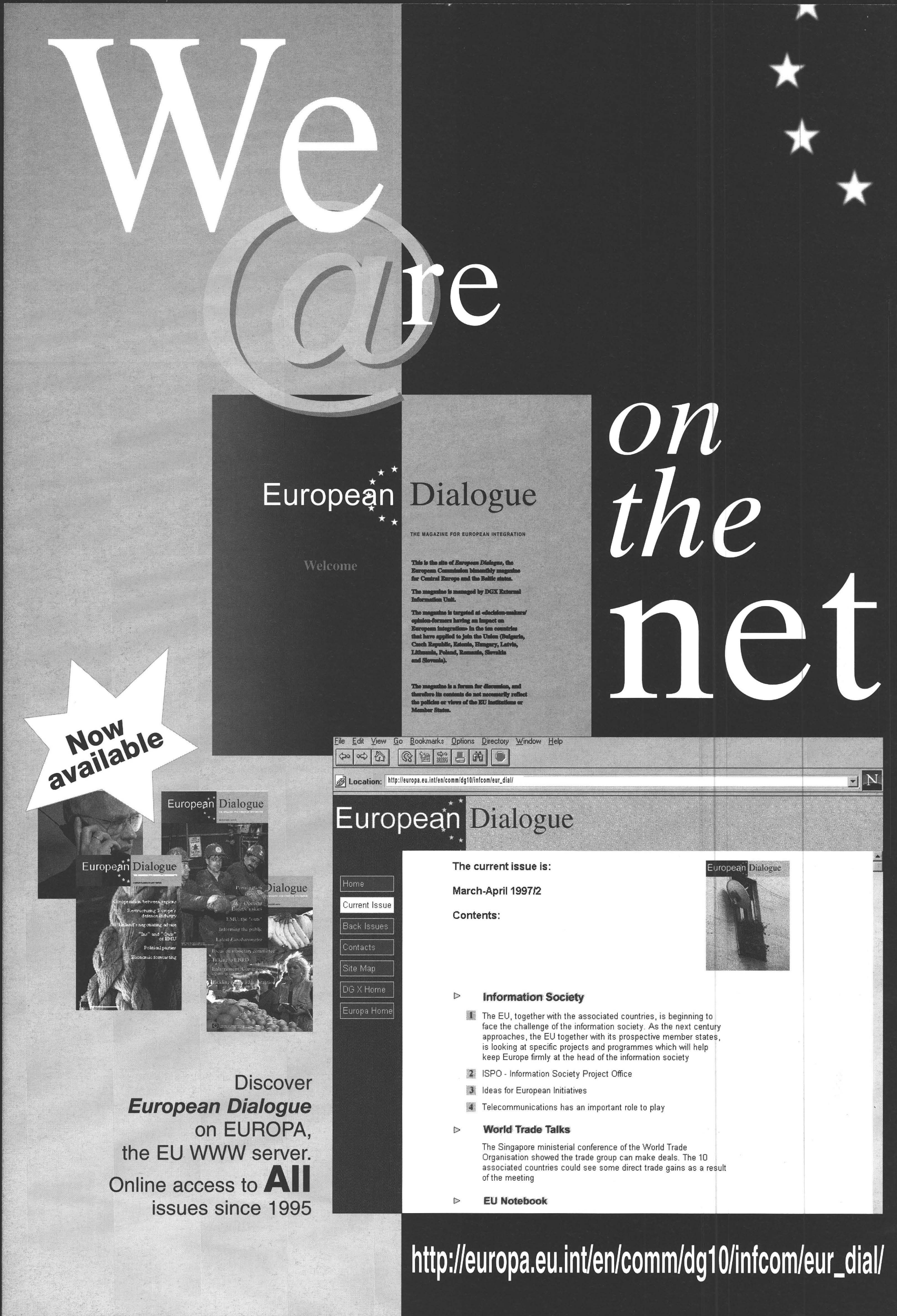
Most important EU exports to candidates in 1997

Sector by section of Common Customs Tariff	Million Ecu	Share of total (%)	Change over 1996 (%)
Machinery and electrical	24391	31	28
Transport equipment	9195	12	26
Textiles	7213	9.2	17
Chemical products	7046	9	22
Base metals and articles	5864	7.5	28
Plastic products	4855	6.2	27
Agriculture, including processed	4766	6	6
Sub total	**63330**	**81**	**23**
All sectors	**78266**	**100**	**23**

Most important EU imports from candidates in 1997

Sector by section of Common Customs Tariff	Million Ecu	Share of total (%)	Change over 1996 (%)
Machinery and electrical	12736	22.5	40
Textiles	7972	14	14
Base metals and articles	7463	13	18
Transport equipment	5310	9	29
Miscellaneous manufactures	3464	6	14
Agriculture, including processed	3056	5.4	5
Mineral products	3007	5	2
Sub total	**43008**	**76**	**23**
All sectors	**56656**	**100**	**20**

Source: Eurostat (Comext).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